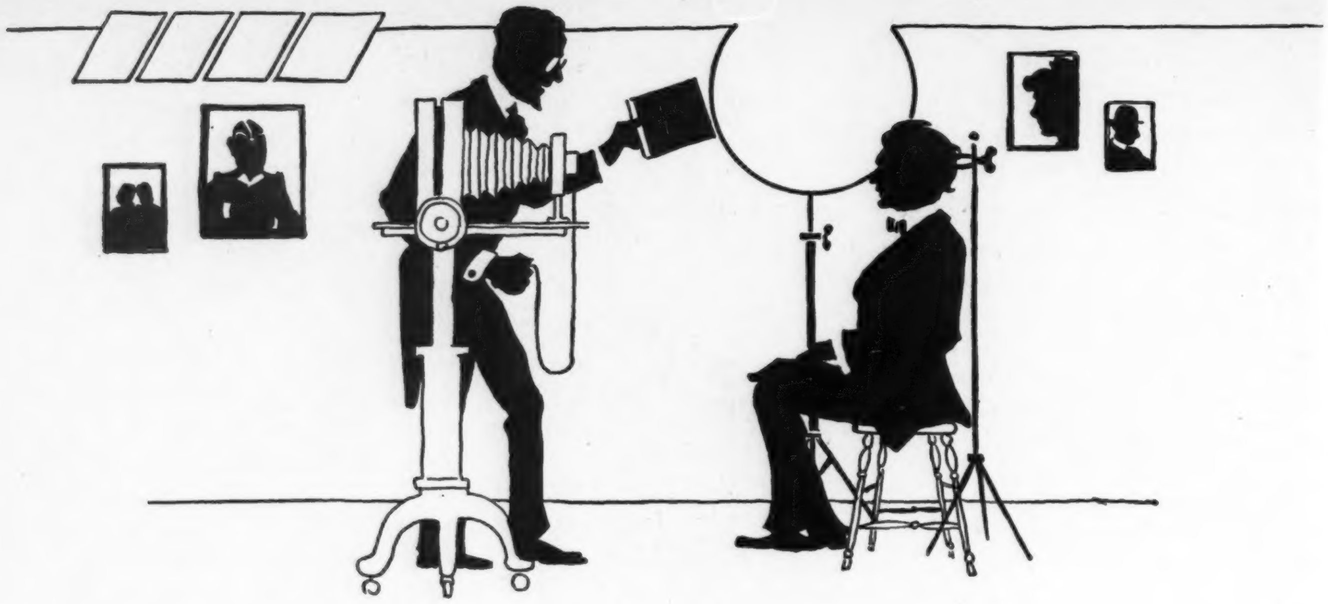
False
financial
statements . . .
How they're faked.
How they're investigated.
How they're prosecuted.
D. A. Weir on our new dollars.

CREDIT
and FINANCIAL MANAGEMENT

...lished 1898. Vol. 36, No. 3. MARCH, 1934 25c a copy $3.00 a year.



Published on the 5th of each month by the National Association of Credit Men, Erie Avenue, F to G Streets, Philadelphia, Pennsylvania. Entered as second class matter April 5, 1927, at the Post Office at New York, New York, under the Act of March 3, 1879. Application pending of the transfer of the second class privilege to Philadelphia, Pennsylvania. Subscription price, $3.00 per year, 25c per copy, Canada $3.50; all other countries $4.00 postpaid.

Volume XXXVI, Number 3.

GROVER ALEXANDER •

Sensational Pitching Star in the 1926 Series

but to-day! **Like glorious old "Pop", many a business man of yesterday is "back in the minors" today. Maybe they will succeed "in the bushes". But maybe they must be "at the top of the heap" to star as they did in the past. How are you going to tell?**

Close observation of *today's* performance is all that can count for you. That goes for the "old timers" as well as the youngsters who are taking their places.

Study Credit Interchange Bureau reports on all your accounts—old and young. Get the actual up-to-date ledger experience of others, compiled in an impartial manner to guide you in passing credit risks. Today's facts tell the true story.

Poor information, not poor judgment, causes most credit losses

CREDIT INTERCHANGE BUREAUS · NATIONAL ASSOCIATION OF CREDIT MEN · ORGANIZED · VIGILANTIA · 1896

REG. U. S. PAT. OFF.

CREDIT INTERCHANGE BUREAUS

National Association of Credit Men

What Happened

TO THE

Fifty Million Dollars

...HOUSEHOLD LOANED LAST YEAR

OFFICES IN 96 CITIES

Illinois
Alton
Aurora
Bloomington
Champaign
Chicago
Cicero
Decatur
Freeport
Galesburg
Joliet
Moline
Oak Park
Peoria
Rockford
Springfield
Waukegan

Indiana
East Chicago
Evansville
Gary
Hammond
Indianapolis
Michigan City
South Bend

Iowa
Davenport
Des Moines

Maryland
Baltimore

Massachusetts
Boston
Springfield
Worcester

Michigan
Battle Creek
Detroit
Flint
Grand Rapids
Highland Park
Jackson
Kalamazoo
Lansing
Muskegon
Port Huron
Saginaw

Missouri
Kansas City
St. Joseph
St. Louis

New Jersey
Camden
Jersey City
Newark
Paterson
Trenton

New York
Albany
Binghamton
Brooklyn
Buffalo
Flushing
Fordham
Hempstead
Jamaica
New York
Niagara Falls
Rochester
Syracuse
Utica

Ohio
Canton
Cincinnati
Columbus

Pennsylvania
Allentown
Altoona
Chester
Easton
Erie
Johnstown
Lancaster
McKeesport
New Castle
Norristown
Philadelphia
Pittsburgh
Reading
Scranton
Wilkes-Barre
York

Rhode Island
Pawtucket
Providence

Wisconsin
Appleton
Beloit
Eau Claire
Fond du Lac
Green Bay
Kenosha
La Crosse
Madison
Milwaukee
Oshkosh
Racine
Sheboygan
Superior
Wausau

LAST year, the one hundred fifty-five Household offices in ninety-six cities loaned $50,113,624.00 to families, the largest loan was $300.

Where did this money go? For what was it used?

80.7% paid bills already existing—refinanced and amortized debt burdens.

Only 10.84% went for things that might have been dispensed with, such as education, travel, Christmas gifts, and automobile repairs—and even these purposes can be considered justifiable.

The fifty million dollars of Household money helped to thaw frozen credit, clear the channels of trade, speed the wheels of commerce.

This fact becomes even more important when it is realized that these borrowers, practically without exception, had no other source of auxiliary money.

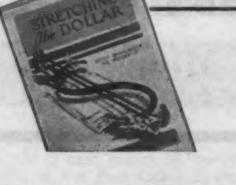
They had no negotiable collateral, no bank credit. They did not call on friends to sign their notes. With self-respect and self-reliance, they were enabled through the Household Loan Plan to solve their own money problems to the benefit of all business and at reasonable cost.

Business men know a retail price must cover operating costs and a reasonable profit. Efficiencies never can reduce retail prices to the level of wholesale prices. However, when methods are devised which permit renting the use of money to families at rates lower than the 2½ to 3½% a month now charged on unpaid balances Household will be found using those methods.

HOUSEHOLD

FINANCE CORPORATION
and subsidiaries

Headquarters: Palmolive Building, Chicago, Illinois



MONEY MANAGEMENT FOR HOUSEHOLDS

a helpful booklet in budgeting the family income, leading to the happiness of financial security, is offered without charge to your employees and customers. Mail or telephone their names to our nearest office.

CONTENTS FOR MARCH, 1934

Looking ahead

A challenging headline will introduce one of our leading articles next month: "What's wrong with credit men?" The article is from the pen of Mr. Charles Bourget of the Commonwealth Shoe and Leather Co. of Boston. In the course of it he makes some pithy and challenging observations but he doesn't advocate anything fatal as a solution of some of the ills besetting credit and, thereby, the credit executive. You'll want to read this frank, straight-from-the-shoulder feuilleton.

Our cover

It was just a year ago that the darkest days in our history, as far as the American business man is concerned, were prevalent. Since then we have seen signs of recovery. This month's cover presents the face-to-the-front, shoulders-back air that has become more noticeable as the weeks have rolled along. The painting is from the brush of William Roscow, who has already appeared on our cover several times. His Lincoln cover last month was the subject of much favorable comment by our readers.

CREDIT and FINANCIAL MANAGEMENT

Published by

NATIONAL ASSOCIATION OF CREDIT MEN

Volume XXXVI Number 3

Erie Avenue, F to G Streets, Philadelphia, Pa.

Richard G. Tobin
Editor and Manager

Clifford T. Rogers
Advertising Manager

One Park Avenue, New York, N. Y.

Paul Haase
Associate Editor

Philip J. Gray
Western Advertising Manager

Let's live on our income!

One of my early playmates was a young man who had the good fortune of being born with the proverbial "silver spoon in his mouth." Some may question whether or not this is good fortune or misfortune, but those of us in the neighborhood, who in response to parental demands shed our shoes at the first sign of the approaching barefoot days, could never have been convinced that the boy who possessed all the latest toys and conveniences was not in reality a favored son.

This young man had an excellent academic education, but he was wholly uneducated in the ways of the world. He had never earned a dollar. In the course of time his parents passed on. Of course, they left him a sizable estate. Never having been trained to work, he decided he would live the life of ease and luxury. His appetite for worldly pleasures grew, while his income remained constant. In time his extravagances began to eat into his principal. I recall he used to say, as he spent money with a lavish hand, "Why worry, there is more where that came from."

Then one day he drew his last check and spent it in a glorious celebration of the occasion. Some of us really felt that he had reached a point in life where he would turn for the better, and that now being forced to work he would turn in and do an honest day's labor. We were mistaken. He lacked the courage to face life's problems. Within a week they found him lying near a lonely road. The coroner pronounced it suicide.

The village folks began to speculate on how different that man's life might have been had he simply made up his mind to check his expenditures gradually. Up until the time his parents died he could probably have afforded, through their generosity, the things that he was always accustomed to having. Upon their death it was agreed that he could not shift to a life upon his bare income immediately, but that a gradual transition could be made which would maintain the bulk of his estate. This, however, he was unable to do.

My friend's early life, for one reason or other, has been returning to my mind during recent weeks. I have wondered what the decision of the nation will be when in early September we face the issue of living on our income. Surely the father, represented by Washington, will be unable longer to continue feeding us so generously. It might not be amiss for us to plan now to meet this issue so as to be not wholly unprepared.

Let us bear in mind these lines from Shakespeare:

"Costly thy habit as thy purse can buy,
"But not express'd in fancy; rich, not gaudy;
"For the apparel oft proclaims the man."

Henry H. Heimann

Executive Manager, National Association of Credit Men

Show-window statements

If we want financial statements to convey the truth, we should insist on a strict adherence to the use of the "going concern" basis of valuation explained herein

by HENRY J. BORNHOFFT, C.P.A.;

Professor in Accounting, Boston U.; Partner, Brown, Bornhofft and Co., Boston

In 1925 a Committee on Public Affairs of the American Institute of Accountants in an endeavor to cooperate with the National Association of Credit Men, who were entering upon an intensive drive to reduce credit frauds and who were seeking funds for the policing of the business world, made available a letter bulletin describing in detail many credit abuses and fraudulent credit practices. At that time it was estimated that credit frauds amounted to from $160,000,000 to $400,000,000 annually, the $400,000,000 estimate being furnished by a surety company.

You credit executives undoubtedly have well in mind all that has been done since that time by the National Association of Credit Men in an attempt to keep credit frauds at a minimum. You are entirely familiar with the conventional three stages of credit frauds, namely, misrepresentation, diversion of assets, and bankruptcy. Misrepresentation may take the form of false statements, certificates by persons with no standing, or persons in collusion with the borrower, false references and the like. After an initial credit advance there is a punctilious performance of all credit obligations by the borrower, a deliberate stage setting, as it were, for the creation of a line of credit, and, finally, the diversion or concealment of assets and later assignment for the benefit of creditors, bankruptcy, or both.

Credit losses are still substantial. We shall probably always have the credit crook with us. He thrives and fattens on the credit executive who dispenses credit solely on hunches—intuition instead of facts—and upon the shortcomings of the improperly trained and inefficient. Occasionally, despite the exercise of reasonable care, he is even able to foist his subtlety on the conscientious, well-trained credit executive as well. We have all seen statements that have been "doctored" or "window dressed" to make a financial showing better than that justified by the facts, or where there has been deliberate concealment—a lack of full disclosure of significant and important matters. Often such manipulations are merely the initial steps in credit frauds. Let me give you a few illustrations of window dressed statements that I have met in my own practice:

Case 1:

The treasurer of a moderate sized corporation in Boston, himself a former accountant, suggested and carried through the following toward the close of the year 1932. Fifteen thousand dollars was received from certain stockholders to whom he issued $15,000 preferred stock. Result: The cash position of the company as of December 31 was materially improved and the net worth of the corporation correspondingly increased. On January 2 or 3 of 1933 the corporation purchased the $15,000 preferred stock issued in December of 1932 for $15,000 cash. You will note that what actually happened was an exchange of checks between the corporation and its stockholders for the purpose of improving the financial position at December 31, 1932.

This corporation presented one of the Boston banks with a balance sheet prepared as above and filed a certificate of condition with the Commonwealth of Massachusetts showing the same items. The bank discovered the manipulation promptly. I am sure, however, that in many instances the statement of financial condition contained in the certificate of condition filed with the Commonwealth was used by unsuspecting creditors as a basis for credit. We discovered the irregularity during the course of an audit for a minor stockholder.

Case 2:

In December of 1930 a small close corporation engaged in the textile industry made an assignment for the benefit of creditors. We were called in by an attorney representing a group of creditors to make an investigation. The Boston Association of Credit Men was also very much interested in this case. We found that the corporation had filed a certificate of condition with the Commonwealth of Massachusetts which showed that at December 31, 1929, the company had a net worth of $60,000, practically no liabilities, and a very good cash position. Between January 1, 1930, and March 31, 1930, the stockholders withdrew $25,000 cash. On the basis of its December 31, 1929, statement of financial condition this corporation continued to buy on credit from January 1, 1930, right up to the date of the assignment. When the assignment was made, it was found that the corporation owed $100,000 and that it possessed assets of doubtful value amounting to only $42,000. As a result of our investigation, in addition to bringing out the above, I had reason to believe that assets had been concealed. There is no doubt in my mind that this company originally exercised meticulous care in building a credit reputation. After the stage was properly set, they made their killing. I was recently informed by an attorney who had worked on the case that one of the principals in the above corporation has been in three additional credit difficulties since December of 1930, and that an indictment was then under consideration.

Case 3:

A contractor's illustration: A small corporation with stock closely held was required to file a balance sheet for the purpose of securing a bond. The books of the company showed a substantial indebtedness to one of the officers, which item, of course, would classify as a current liability. The officer of the corporation in a desire to improve the current ratio on the company's balance sheet prepared a waiver and release of all

Ever find a mannequin in a financial statement—figures instead of facts?

claims against the company. A directors' meeting was held, and an entry was made on the books reducing the liabilities of the corporation and increasing surplus. After the balance sheet had served its purpose, a second meeting was held by the directors rescinding action taken at the prior meeting. The waiver and release was destroyed, and the entry referred to above reversed.

Case 4:

We audited the accounts of a company for the year ended December 31, 1930. In September or October of that year the company lost one of its properties by fire. There was only partial insurance protection. The company collected $200,000 on insurance just before the close of the year. The financial position of this company was none too good. What do you suppose was done with the $200,000 insurance money collected? The entire amount was used to liquidate part of the current indebtedness. The final result was an improvement in the current ratio. That particular company in 1931 borrowed money, a substantial part of which went not into current operations but rather into capital assets to replace the property destroyed in the preceding year by fire. It seems to me that there should have been a full disclosure of all significant facts to all creditors concerned. The company referred to during the past year has made an assignment for the benefit of its creditors.

The above cases are intended as illustrations of manipulations of financial statements to be used for ordinary credit purposes. I have confined myself to cases easy to explain rather than to more involved illustrations which might not be so readily understood. Later I shall furnish you with a few illustrations of window dressed statements used in conjunction with the flotation of stock and bond issues.

The two basic financial statements used in the business world are the balance sheet and the profit and loss statement, the former showing financial condition at a particular moment of time, the latter progression or retrogression over an elapsed period of time resulting from the conduct of a business. All financial statements used in the business world are related to either one or the other of these two basic statements. In the routine of your daily work you examine and analyze many financial statements. You can distinguish with assurance between a current asset and a capital asset; and you are familiar with other statement classifications such as deferred charges, current liabilities, capital liabilities, deferred credits, capital stock, the several kinds of surplus, valuation reserves, surplus reserves, liability reserves, secret reserves, and other related matters. You have made a study, I am sure, of the uses and limitations of ratios in statement analysis, and you have had occasion to use percentages in conjunction with the analysis of profit and loss statements.

I may be presumptuous in undertaking to define for you the term "balance sheet." My reason for so doing, however, will become apparent presently. The term "balance sheet" has been defined as a statement of financial condition disclosing at a date specified, and in respect to an individual or individuals united as an organization, a classified list of assets, valued on the basis of worth for the purpose for which acquired, together with the liabilities and accountabilities that rank there against, first to creditors for advances, known as liabilities, and second to the owner of owners for the excess of assets over liabilities, known in accounting as capital.

A balance sheet prepared for a going business presupposes voluntary selling and the continuity of business operations. The words "valued on the basis of worth for the purpose for which acquired" are important. Going concern value does not mean appraised value, nor does it mean reproduction value, replacement value, utility value, or liquidation value. It means a very definite thing. In a going concern, assets such as inventories should be valued on the basis of cost, or, more conservatively, on the basis of cost or market, whichever is the lower. Capital assets, sometimes called fixed or permanent assets, should be valued on the basis of cost less reasonable depreciation, taking into account all depreciation factors, such as wear and tear, obsolescence, and the like. To me, let us say a candy manufacturer, my machinery and equipment is worth cost less depreciation. To you, a banker, it might be so much worthless junk.

When we adhered to going concern values, when we frowned upon the anticipation of profits and losses, when we recognized only two kinds of surplus, earned and paid in, when we refused to enter surplus resulting from reappraisal, and when nothing was permitted to affect the earned surplus account except through the medium of the profit and loss account, financial statements had a real value in credit analysis work. This was particularly true when such statements were prepared by unbiased, impartial, reputable, accredited accountants possessing the necessary technical skill and ability to audit and prepare statements. (*Continued on page 35*)

Lost and found—guilty!

A half-dozen aliases were employed by this nimble debtor to confuse his creditors but F. P. D. investigators trailed him successfully. Now his "alias" is a number, not a name.

by CHARLES J. SCULLY,
Director, N.A.C.M.'s
Fraud Prevention Dept.

It may have happened that Irving Weisbrod, alias Ben Main, alias Ralph Medow, alias Ben Hart, alias G. Lee, alias J. Cohen, alias J. J. Gill, etc., devoted considerable time in reading over the classified advertisements appearing in the daily newspapers, particularly those listed under the heading "Lost and Found." But if he spent any part of his day in so doing, it is a certainty that the words "and Found" must have failed to make any impression as subsequent events developed.

This individual of many names was well known to the investigators of the Fraud Prevention Department of the National Association of Credit Men, but our subject appeared to have a charmed life as he never appeared prominently in any of the many schemes operated and consequently he was able to keep himself outside of the law's grasp.

Evidently arriving at a decision that he was too well known in New York, Weisbrod removed his activities to Chicago where, during the summer of 1933, he opened a wholesale merchandise business at 408 South Wells Street under the name of "Pioneer Supply Company." Orders for merchandise were followed by a financial statement showing a substantial net worth, all of which bore the signature of "Ralph Medow."

After receiving a considerable amount of merchandise, Weisbrod decided that the time had arrived for a fast move, one that would eventually find him reaping the spoils. He first saw to it that all marks of identification were removed from the merchandise received and then shipped it out of the premises under cover of darknesss. He made it a point to engage different truckmen on each occasion so that difficulties would be met with if an investigation was ever made.

Early in October, 1933, Medow, as we will now call him, cleaned out his entire place of business and departed for parts unknown without leaving a scrap of paper that would be of value in determining his contemplated destination. He did, however, take the precaution to change the locks on his doors so that a further delay might be experienced in gaining access to the premises.

On October 11th, 1933, Medow had succeeded in his purpose of losing himself, insofar as his creditors were concerned.

At the request of the Uptown Group of the Federated Textile Industries, through their secretary, Mr. A. A. Clune, the Fraud Prevention Department caused an immediate investigation both in Chicago and New York City. Mr. H. H. Bailey, their representative in the former city, obtained information to the effect that Medow had left Chicago for New York, at which point Mr. S. J. Callaghan was assigned to the case.

About a week later an individual calling himself "B. Main" made a deposit in a New York bank of a sizeable sum of money but his actions at that time aroused suspicions and several days later he was taken into custody by the New York police at a time when he was endeavoring to draw out his entire account.

When interrogated by the authorities "Main," who was first held on a charge of handling narcotics, was very reticent in furnishing any information regarding himself or his activities, but when confronted by Investigator Callaghan, of the New York office, admitted that he had operated the Pioneer Supply Company under the name of Ralph Medow.

In the interim, the aid of the Division of Investigation and the Police Inspection Department were enlisted and a warrant of arrest was issued in Chicago, followed by an indictment by the Federal Grand Jury charging a violation of Section 215 of the U. S. Criminal Code, which covers the use of the mails in a scheme to defraud.

Outraged and indignant creditors can voice their anger, in regard to crooked bankruptcies, at creditors' meetings; vigilant and aggressive investigation of fraud, however, will discourage such acts decidedly.

Weisbrod, alias Medow, alias Main, used every legal effort possible to prevent removal to Chicago for trial but failed, and when confronted with the evidence obtained, entered a plea of guilty on January 26th, whereupon Federal Judge Lindley sentenced him to a term of eighteen months imprisonment in the Federal Penitentiary at Leavenworth, Kansas, to be followed by a probationary period of three years.

He who was lost was found, as was part of his loot. Although our "hero" lost himself to his creditors, their representatives found him. He found himself guilty and we feel that he will have sufficient opportunity for a lengthy time to scan once more the "Lost and Found" columns and that this time he will be impressed by *all* three words—not merely the first.

"Now is the time..."

- to check financial statements
- to prevent bankruptcy rackets
- to maintain credit's integrity

by MAXWELL S. MATTUCK,
Attorney at Law,
New York, N. Y.

Over the period of the last few years reports indicate a constant decline in the number of bankruptcies. This was accompanied by a similar decrease in the number of crooked bankruptcies and bankruptcy "rackets."

With the seeming indication, however, that credit expansion is in the offing, with the probability of easier credit in any and all business lines, a word of timely warning might perhaps be given to those whose duties are in any way related to the checking of credits.

Now it might well be said that there is a real distinction between a crooked bankruptcy and a bankruptcy "racket." The former classification can better be used to describe the ordinary case where an individual conducts a legitimate business enterprise over a considerable period of time, finds it necessary or convenient to go into bankruptcy and in doing so makes off with, or conceals, assets which probably should go to his creditors, or, to be more technical, to the receiver or trustee in bankruptcy.

The law requires that the bankrupt must turn over all his assets, and his failure to do so constitutes the ordinary case of "concealment of assets." Business men, presumably of standing in the community, of more or less reputation for honesty, and almost invariably with no criminal record of any kind, do not scruple to "pull" these crooked bankruptcies.

The bankruptcy "racket," however similar it may be in effect on the pocketbooks of creditors, is both in conception and execution a "horse of a different color." Whereas with respect to the ordinary crooked bankruptcy reasonable excuse can be pleaded in extenuation of the extension of credit, such credit extension in the case of a bankruptcy racket has often times been deplored by both credit men and by courts as being almost inexcusable.

Now what are these "rackets"? How do they start? How do they operate? How can they be recognized?

Long before "racket" became a word of common use to describe almost any activity which did not, for one reason or another, meet with the approval of a particular person attempting a description of the activity, the Fraud Prevention Department of the National Association of Credit Men had already catalogued certain types of business operations as genuine "rackets." These operations were definitely classified as fraud schemes under the law, and often were prosecuted under the so-called Federal Mail Fraud Statutes, entirely independently of any bankruptcy law violation.

The gist of this offense, without becoming too technical, is the purchase of merchandise on credit without any honest present intention to pay. In other words, the procuring of credit is the first step in a scheme concocted for the purpose of making off either with merchandise or cash, and the carrying out of such a scheme, if followed by the use of the mails, is a crime under the Federal Mail Fraud Statute. Under the state law it may be a larceny or the obtaining of property by false pretenses, but since it usually involves numerous victims and is quite widespread in its ramifications, it can (*Cont. on page* 40)

If a reputation can't be bought, it is often simulated by bankruptcy racketeers.

A commercial frauds court

New York's unique court for disposition of cases involving false financial statements, trade-mark counterfeits, and petty forgeries is described here

by EUGENE B. McAULIFFE,
Asst. County District Attorney,
New York, N. Y.

The Commercial Frauds Court of New York County is held the first week of every month. The purpose of holding a special court known as the Commercial Frauds Court is to permit the various credit associations of sections 1293b and 2354 of their own—a place where they can present cases of a criminal nature to a judge who is in sympathy with their problems and who understands books of account.

The writer has been presenting all of the cases that have been tried in this court for the last five years and is of the opinion that the time is not far off when this court will be compelled to sit five days a week for the full court year. This is due to the alarming increase of frauds in the commercial world.

At the present time the great bulk of the cases tried consists of violations of sections 1923b and 2354 of the Penal Law. Section 1293b is divided into three subdivisions and the violation of each subdivision is a misdemeanor punishable by imprisonment for not more than one year or by a fine of not more than one thousand dollars or both fine and imprisonment. The first subdivision makes it a misdemeanor for one to knowingly make or cause to be made, either directly or indirectly, any false statement in writing, with the intention that it be relied upon, for the purpose of obtaining the payment of cash or the making of a loan or credit. A careful examination of the wording of this subdivision will show that the mere making of the statement is a violation in itself and that it is not necessary to obtain the aforementioned cash or credit.

The second subdivision is violated by one, who knowing that a false statement has been made procures, upon the faith thereof, either of the things mentioned in subdivision one. In other words, the accountant or bookkeeper who made the statement would be guilty of violating the first subdivision, whereas the merchant who obtained the credit would be prosecuted for violating the second subdivision and if he was instrumental in the making of the statement would be guilty of both.

The third subdivision is violated by one who, knowing that a statement in writing has been made, represents on a later day, either orally or in writing, that such statement theretofore made, if then again made on said day, would then be true, when in fact said statement if then made would be false, and procures upon the faith thereof cash or credit.

If the defendant sends the false statement through the mails he may also be prosecuted by the Federal District Attorney for using the mails to defraud, but in recent years the federal prosecutor has been referring all such cases to the county prosecutor unless there is a concealment of assets on the part of the bankrupt.

In some of the cases involving the making of a false financial statement the proof is comparatively easy because of the fact that the statement does not agree with the books of the defendant. In other cases the problem of the prosecution is more difficult because an examination of the books reveals the fact that they are in accord with the statement. In cases of this kind it is the writer's experience that he is dealing with real criminals and that the defendant, unless he has a knowledge of accounting, has had the assistance of some unscrupulous accountant, and that together they have laid plans for the making of the false statement.

The other side of the Commercial Frauds Court involves the violation of section of 2354 of the Penal Law. This section has to do with offenses against trade marks. Under this section defendants have been successfully prosecuted for the use of imitation trade marks in connection with spurious articles, such as foods, medicines, perfumes, cosmetics, clothing and other well-advertised articles of trade. There have been prosecutions for the manufacture and sale of spurious aspirin tablets, Bromo Quinine, Listerine, Jad salts, Eveready Prestone, an anti-freeze for use in automobiles, Duco polish, pillow slips, and in most of these cases it has been well nigh impossible to tell the original from the counterfeit.

A great many frauds are practiced upon merchants in cases involving the hypothecation of accounts receivable. The unscrupulous merchant in this class of case first makes a loan upon assigned accounts receivable reserving to himself the right to collect the accounts, and upon the collection of same appropriates the proceeds to his own use, thus collecting the account twice. This is plain larceny and is prosecuted as such.

Another type of case is the one where the defendant obtains goods on consignment or memorandum, sells the goods and refuses to turn over the proceeds to the consignor. A defendant who does this is also guilty of larceny.

The merchants associations of the various industries are beginning to realize that if they are to stamp out all of the aforementioned frauds they must extend the time of the Commercial Frauds Court so that they may bring their cases into that court every court day of the year instead of only for the first week of very month. This will require concerted action on the part of the honest merchants. At the present time there is a movement on foot to accomplish this purpose and it may be necessary to pass legislation on the subject.

All of the trade associations should get behind this movement because they will have a real Commercial Frauds Court working vigilantly every day to protect the merchant who is trying to conduct his business in an honest manner and there will be a saving of millions of dollars.

Bankruptcies less in 1932-33

On this page and the page following, CREDIT AND FINANCIAL MANAGEMENT presents its annual summary of the bankruptcy statistics from the report of the Attorney General of the United States.

As an aid to those wishing to check this report's figures with last year's for purposes of comparison, the figures in the third column have been carried over from last year. Those making such comparisons will be both pleased and dismayed, however, for while there have been some drops in certain items, others have risen in decidedly decisive fashion.

There was a drop of almost 8,000 in the number of cases filed during the fiscal year ending June 30, 1933. Liabilities continue to mount during the period, however, by almost $400,000,000.00 to reach a total of $1,627,066,244.68. Amounts realized showed a corresponding rise from approximately $85,000,000.00 to $115,000,000.00 and fees and expenses of administration went up by $6,000,000.00 to more than $24,000,000.00.

	STATISTICS OF BANKRUPTCY PROCEEDINGS FOR FISCAL YEAR 1933			THE FISCAL YEAR 1932		
Summary for the United States	Voluntary	Involuntary	Total	Voluntary	Involuntary	Total
A. Cases pending, concluded, etc.:						
1. Pending at the close of previous fiscal year	53,885	19,085	72,970	49,055	17,368	66,423
2. Filed during fiscal year	56,049	6,207	62,256	62,475	7,574	70,049
3. Concluded during fiscal year, including petitions dismissed and compositions confirmed	59,787	7,244	67,031	57,645	5,857	63,502
4. Pending close of fiscal year	50,147	18,048	68,195	53,885	19,085	72,970
5. Petitions dismissed	2,054	624	2,678	2,106	640	2,746
6. Compositions confirmed	264	415	679	264	454	718
Nature of business of bankrupt in cases concluded (including petitions dismissed and compositions confirmed):						
7. Farmer	5,906	18	5,924	4,837	15	4,852
8. Wage earner	27,385	51	27,436	29,742	69	29,811
9. Merchant	13,484	4,460	17,944	11,550	4,109	15,659
10. Manufacturer	931	646	1,577	867	603	1,470
11. Professional	1,934	92	2,026	1,451	59	1,510
12. Other classes	10,147	1,977	12,124	9,198	1,002	10,200
13. Total	59,787	7,244	67,031	57,645	5,857	63,502
B. Liabilities:						
1. Represented by priority, secured, and lien claims	$441,658,173.94	$134,085,911.80	$575,744,085.74	$396,021,525.59	$86,227,510.95	$482,249,036.54
2. Represented by unsecured claims which have been proved and allowed	262,169,670.28	257,460,147.56	519,629,817.84	201,152,402.76	178,655,135.02	379,807,537.78
3. Represented by unsecured claims, as shown by schedules, which have not been proved	470,868,797.59	60,823,543.51	531,692,341.10	337,865,771.46	60,307,357.82	398,173,129.28
4. Total	1,174,696,641.81	452,369,602.87	1,627,066,244.68	935,039,699.81	325,190,003.79	1,260,229,703.60
C. Amounts realized:						
1. Total amount realized or received by marshals, receivers, trustees, and referees	51,429,952.58	93,574,830.46	145,004,783.04	39,303,324.78	58,285,295.41	97,588,620.19
2. Total amount disbursed in conduct of business	5,722,935.36	23,492,914.49	29,215,849.85	4,504,681.62	7,506,731.50	12,011,413.12
3. Net amount realized	45,707,017.22	70,081,915.97	115,788,933.19	34,798,643.16	50,778,563.91	85,577,207.07
D. Distribution of net assets as shown above (C 3):						
1. Fees and expenses of administration, as analyzed below.	10,225,767.76	13,883,409.93	24,109,177.69	8,484,200.26	10,198,717.67	18,682,917.93
2. Paid to bankrupt on account of or in lieu of exemptions.	506,685.98	657,205.34	1,163,891.32	652,367.87	224,823.84	877,191.71
3. Paid to priority, secured, and lien creditors	18,307,152.42	18,574,882.59	36,882,035.01	12,518,665.69	13,828,772.92	26,347,438.61
4. Paid to general creditors	15,613,713.15	34,786,721.49	50,400,434.64	12,535,279.02	24,145,442.54	36,680 721 56
5. Other payments	780,545.40	1,865,888.18	2,646,433.58	513,249.77	1,940.981.72	2,454,231.49
6. Undistributed balance, if any	273,152.51	313,808.44	586,960.95	94,880.55	439,825.22	534,705.77
7. Total	45,707,017.22	70,081,915.97	115,788,933.19	34,798,643.16	50,778,563.91	85,577,207.07
E. Analysis of fees and expenses of administration (item D 1):						
1. Paid to referee on account of fees of every nature, excluding filing fees paid by clerk of court:						
(a) Commissions and 25-cent fees for filing claims	440,767.81	560,649.29	1,001,417.10	350,552.52	427,053.29	777,605.81
(b) Fees as special masters, if any	31,893.42	45,044.02	76,937.44	30,548.81	58,673.14	89,221.95
(c) Other fees, if any	46,588.31	28,784.23	75,372.54	43,654.76	15,590.83	59,245.59
2. Paid to referee on account of expenses, as follows:						
(a) For printing and advertising	229,992.10	43,271.58	273,263.68	210,388.82	38,335.10	248,723.92
(b) For traveling expenses	30,827.20	8,374.40	39,201.60	31,199.98	8,213.61	39,413.59
(c) For office, clerical, and all other expenses	975,217.77	399,856.92	1,375,074.69	870,202.38	397,314.92	1,267,517.30
3. Paid to marshals, receivers, and trustees on account of commissions, excluding filing fee of $5	1,525,464.91	1,733,872.65	3,259,337.56	1,206,033.53	1,366,398.75	2,572,432.28
4. Paid to attorneys on account of fees	3,230,011.64	4,900,116.81	8,130,128.45	2,788,757.17	4,247,625.75	7,036,382.92
5. All other expenses of administration	3,715,004.60	6,163,440.03	9,878,444.63	2,952,862.29	3,639,512.28	6,592,374.57
6. Total	10,225,767.76	13,883,409.93	24,109,177.69	8,484,200.26	10,198,717.67	18,682,917.93
F. Other data pertaining to property administered:						
1. Appraised value of exemptions set off to bankrupt in kind	20,979,958.51	1,282,312.47	22,262,270.98	18,580,074.85	1,470,520.42	20,050,595.27
2. Appraised value of property securing debts of bankrupt which was not administered in bankruptcy court	37,065,271.54	6,983,017.91	44,048,289.45	35,590,792.56	6,506,747.57	42,097,540.13
3. Filing fees paid by clerk of court to referee	762,404.42	83,872.50	846,276.92	760,712.87	79,880.00	840,592.87
G. No-asset cases included in this report:						
1. Number of cases	37,522	659	38,181	38,192	568	38,760
2. Total fees and expenses of referee (sec. E.) in such no-asset cases	$556,189.72	$23,760.64	$579,950.36	$528,867.54	$28,949.35	$557,816.89
H. Number of cases concluded, which were filed in forma pauperis, and in which filing fees were not afterward paid	6,340	2	6,342	5,509	1	5.510

Analysis of the U. S. bankruptcy statistics—fiscal year ended June 30, 1933

Judicial districts	Filed		Concluded		Pending close of year		Net amount realized		Paid priority creditors		Paid general creditors		Expenses of administration	
	Voluntary	Involuntary	Voluntary	Involuntary	Voluntary	Involuntary	Voluntary	Involuntary	Voluntary	Involuntary	Voluntary	Involuntary	Voluntary	Involuntary
Alabama:														
Northern	1,548	57	2,712	85	2,087	133	$556,812.44	$503,553.14	$366,145.53	$331,450.35	$100,605.42	$171,691.60	$73,695.48	$86,528.04
Middle	259	11	298	24	231	49	52,584.20	100,169.17	18,543.99	26,486.72	8,761.64	42,529.84	14,308.34	25,873.19
Southern	238	14	282	20	125	19	43,487.03	117,086.47	17,506.50	21,776.78	9,254.32	74,634.25	9,885.03	20,258.03
Alaska:														
First division	7	3	9	2	8	7	6,124.31	2,317.52		580.92	922.03	220.96	930.62	1,506.64
Second division	1				2									
Third division		1	3	3	2	2	356.05	18,176.00		2,786.10	204.00	5,650.01	151.96	9,739.89
Fourth division	5		3		5									
Arizona	81	12	74	9	75	27	23,407.57	27,750.28	7,206.62	2,657.27	4,524.28	16,291.60	11,441.27	8,801.26
Arkansas:														
Eastern	240	29	322	48	253	87	157,942.84	222,913.55	20,093.26	38,187.43	66,146.96	134,723.11	58,226.44	48,330.36
Western	138	12	183	18	84	45	110,317.25	105,216.75	44,404.20	32,268.00	40,935.44	57,787.25	22,636.44	13,821.05
California:														
Northern	1,613	96	1,550	114	2,172	354	735,602.27	762,683.70	260,348.74	208,671.51	241,277.05	380,217.94	231,020.88	169,203.98
Southern	2,182	226	2,279	232	1,798	614	3,516,567.17	1,918,541.63	1,338,184.99	564,546.54	1,316,528.24	840,345.87	741,714.09	406,565.01
Colorado	320	30	356	28	356	79	416,692.41	510,430.95	350,656.93	223,315.76	34,248.10	236,524.19	30,081.25	33,578.34
Connecticut	1,011	78	1,185	78	1,844	437	743,779.31	927,404.96	141,342.11	655,279.21	362,069.22	135,952.04	225,795.11	112,522.16
Delaware	91	12	85	23	67	25	179,973.71	1,029,549.55	127,439.64	779,291.60	18,468.32	10,250.65	33,455.13	239,807.30
District of Columbia	173	37	164	27	104	49	158,999.60	195,142.19	48,381.04	57,937.68	72,182.06	72,493.92	33,685.03	39,504.65
Florida:														
Northern	47	1	92	12	24	9	120,405.60	956,477.53	30,601.44	890,323.50	48,165.80	35,079.03	28,392.39	30,390.00
Southern	252	104	321	125	254	346	309,095.03	1,728,617.02	108,930.58	1,337,020.29	112,761.55	208,316.80	80,768.84	168,394.79
Georgia:														
Northern	1,537	58	1,331	60	910	94	610,997.21	446,453.50	108,874.34	87,638.54	367,585.61	229,481.79	128,155.14	96,706.11
Middle	475	43	543	38	300	41	214,291.60	85,264.62	94,390.80	25,831.47	64,680.85	32,693.23	48,728.05	23,853.32
Southern	308	26	375	35	110	28	66,519.10	100,136.26	13,010.05	39,645.88	25,956.33	32,807.57	19,886.07	25,713.19
Hawaii	225	3	237	4	87	20	106,876.83	15,563.51	27,585.26	2,226.27	50,230.42	8,922.11	28,701.87	4,415.13
Idaho	100	7	130	6	107	13	12,804.19	7,499.27	2,401.48	3,423.64	4,515.72	2,135.10	5,611.05	1,940.53
Illinois:														
Northern	2,372	583	2,752	503	3,376	2,385	952,284.34	3,461,451.67	209,812.36	416,643.73	316,556.04	2,026,066.80	326,026.06	943,543.28
Eastern	476	54	645	40	327	134	342,250.69	188,356.02	132,506.15	47,445.45	123,775.07	95,034.17	74,452.08	39,981.65
Southern	764	61	922	41	1,006	196	737,172.66	422,259.01	372,378.28	292,694.64	199,426.97	54,534.38	144,153.08	73,057.03
Indiana:														
Northern	430	37	445	34	294	148	154,130.10	115,915.82	32,365.74	4,930.73	46,407.07	75,500.90	53,255.64	32,535.41
Southern	378	53	399	74	185	98	601,651.34	1,914,429.03	214,277.60	1,224,623.55	224,993.07	403,859.14	117,463.54	278,845.84
Iowa:														
Northern	357	35	447	26	397	71	$577,733.93	$36,549.99	$416,160.60	$13,867.64	$85,066.13	$12,763.21	$68,676.39	$9,915.01
Southern	615	43	695	43	310	55	265,315.01	310,340.52	136,670.63	71,096.70	59,316.91	162,023.30	67,190.20	77,214.72
Kansas	761	84	548	35	1,003	202	138,727.71	115,603.47	49,392.87	65,979.64	41,048.57	22,861.85	47,617.71	19,821.48
Kentucky:														
Eastern	518	28	505	28	274	60	356,889.26	48,201.58	207,957.74	21,670.93	77,953.44	14,013.23	61,053.36	10,423.16
Western	916	38	920	37	1,323	208	572,684.81	205,718.95	355,615.97	131,696.45	89,752.82	41,616.93	97,296.90	32,324.41
Louisiana:														
Eastern	355	9	328	4	260	35	120,333.54	7,114.67	52,733.48	3,254.54	11,202.26		56,332.66	3,860.13
Western	286	20	277	28	284	21	494,782.43	115,864.65	369,789.01	42,662.84	52,756.42	43,537.40	71,563.68	27,639.38
Maine	711	26	647	28	360	34	66,254.58	82,086.10	12,664.30	3,615.90	27,530.61	66,086.13	25,164.44	11,712.04
Maryland	451	105	484	87	436	154	346,847.89	1,069,769.99	72,819.66	436,209.96	178,719.63	438,168.29	82,343.10	181,195.74
Massachusetts	1,932	230	2,034	244	1,784	393	1,284,091.48	1,889,590.33	209,843.23	426,184.55	705,012.06	943,398.46	363,218.28	517,524.00
Michigan:														
Eastern	1,894	213	1,831	194	1,158	607	993,875.95	2,725,766.70	530,646.80	1,087,630.00	203,441.32	1,148,983.17	219,551.26	335,829.34
Western	318	31	315	28	175	33	286,567.41	113,828.45	85,401.99	21,513.94	103,010.60	49,697.83	90,409.25	41,102.37
Minnesota	1,021	71	909	56	880	272	279,314.84	260,813.28	29,933.17	18,292.42	136,864.99	141,515.34	104,878.34	70,416.60
Mississippi:														
Northern	186	2	221	16	81	8	166,126.12	43,393.10	57,432.43	9,264.28	62,637.95	23,443.09	41,498.28	9,933.72
Southern	314	19	298	25	222	49	249,674.33	117,644.05	83,799.02	14,627.90	93,467.69	80,815.87	69,482.24	21,849.46
Missouri:														
Eastern	436	82	437	81	414	147	233,798.71	246,079.03	32,864.86	21,860.06	103,898.46	138,433.25	85,624.19	82,891.48
Western	1,227	75	1,242	71	788	280	256,697.75	300,126.25	57,966.32	108,906.11	80,464.64	91,273.37	106,383.71	92,466.23
Montana	129	10	189	18	220	49	46,290.89	52,335.47	6,175.35	17,327.30	22,685.03	20,757.16	14,145.54	14,130.98
Nebraska	433	46	463	33	552	93	1,406,917.23	257,355.86	220,217.97	73,954.20	335,167.30	128,943.05	521,527.76	51,785.55
Nevada	16	7	16	7	17	10	2,279.58	21,787.84	605.76	788.58	754.74	15,068.64	826.19	5,930.62
New Hampshire	95	18	91	10	85	17	63,142.50	21,849.60	11,995.59	3,864.02	34,021.40	10,876.03	15,750.85	7,100.53
New Jersey	1,592	222	1,710	184	2,357	627	1,028,499.87	1,791,485.27	258,268.43	1,060,834.85	305,844.00	441,656.85	431,028.47	273,856.06
New Mexico	49	8	41	6	60	16	29,630.88	4,782.53	12,424.02	2,355.00	5,477.62	964.27	5,489.82	1,463.26
New York:														
Northern	1,188	86	1,146	67	988	247	464,021.27	2,590,914.86	79,105.03	32,762.12	201,374.62	2,459,957.19	175,488.81	96,127.04
Eastern	1,717	448	1,545	387	839	1,889	614,780.92	1,672,208.96	34,615.96	79,325.63	396,640.17	1,209,243.21	182,309.42	380,804.13
Southern	2,264	790	2,378	917	2,107	2,024	4,234,375.43	23,762,088.74	2,109,049.31	2,719,945.19	1,354,546.84	14,294,212.17	747,014.51	5,426,169.76
Western	1,460	125	1,345	80	1,246	314	436,901.96	211,679.76	63,746.34	15,308.45	191,509.18	118,056.00	179,069.36	75,207.35
North Carolina:														
Eastern	329	52	330	58	278	108	364,933.97	508,409.67	171,012.92	245,804.34	133,963.07	183,921.85	49,021.17	74,747.31
Middle	167	19	134	12	222	79	216,102.01	65,529.77	130,610.76	41,136.47	42,647.00	13,390.07	31,066.99	9,615.07
Western	147	23	184	33	123	54	687,794.51	249,722.88	85,292.92	71,041.00	417,538.66	87,617.61	80,943.13	59,101.43
North Dakota	96	13	92	10	20	13	20,975.00	28,961.74	8,969.39	3,356.70	2,382.03	15,130.33	9,539.57	10,474.71
Ohio:														
Northern	3,408	275	3,499	283	2,593	848	2,117,483.06	3,044,416.79	644,465.42	644,813.13	1,013,416.74	1,776,364.26	422,107.66	598,941.04
Southern	1,950	87	1,674	84	2,202	260	1,345,449.23	307,796.87	642,049.24	111,733.30	296,563.74	143,110.22	359,943.66	137,889.17
Oklahoma:														
Northern	228	13	373	64	137	30	181,699.99	178,668.75	48,816.97	32,014.57	66,867.86	89,417.66	60,150.12	56,542.69
Eastern	105	25	149	19	152	136	123,389.08	35,708.99	39,901.00	8,531.28	53,113.55	19,063.66	26,396.07	8,038.12
Western	242	23	302	62	121	43	237,482.60	143,978.75	42,609.65	23,863.33	137,530.12	88,433.94	56,702.08	28,825.12
Oregon	802	36	863	44	401	80	206,900.38	167,187.05	129,341.57	46,041.93	76,001.16	80,064.76	84,620.07	39,178.51
Pennsylvania:														
Eastern	996	326	786	329	1,643	953	1,778,523.46	2,958,480.23	828,159.20	627,712.81	495,952.53	1,494,825.73	406,651.35	699,023.37
Middle	456	76	525	57	391	222	1,958,983.36	1,012,047.77	1,329,839.86	262,614.81	279,569.08	109,839.83	312,293.41	155,374.33
Western	724	140	1,354	1,100	1,053	364	865,079.72	1,602,216.37	265,731.42	298,385.90	244,361.34	903,634.40	312,792.19	360,644.02
Puerto Rico	24	29	18	29	41	47	211,549.10	289,915.67	170,457.31	231,900.00	15,060.74	32,589.95	25,963.86	23,211.06
Rhode Island	174	17	224	32	172	27	236,706.68	125,488.72	31,377.24	6,722.22	133,189.53	84,658.98	44,052.65	28,203.25
South Carolina:														
Eastern	63	10	80	34	61	24	83,947.11	234,087.90	34,281.36	92,394.84	27,659.08	47,880.05	17,521.34	92,336.91
Western	57	11	164	17	118	45	384,728.37	274,070.40	146,176.26	113,086.55	177,496.90	99,312.45	47,170.33	44,976.38
South Dakota	112	9	155	22	116	48	118,490.34	22,013.88	25,870.59	4,411.56	53,960.58	2,692.49	34,975.67	10,756.52
Tennessee:														
Eastern	1,307	45	1,242	34	695	117	348,870.43	130,610.81	64,875.86	11,695.65	209,724.32	85,715.86	71,113.65	27,756.48
Middle	809	19	795	11	311	83	610,767.85	718,646.21	173,055.38	676,400.15	364,094.17	12,681.03	72,795.29	29,113.36
Western	529	13	600	13	206	48	315,767.12	44,728.99	39,807.02	8,452.92	170,929.56	12,250.41	96,553.36	9,712.89
Texas:														
Northern	379	55	571	86	347	104	889,052.57	525,368.10	476,917.95	144,937.52	183,619.66	238,953.33	208,873.20	78,919.74
Eastern	203	33	347	24	357	110	653,138.71	178,622.90	394,415.09	135,988.57	136,939.43	25,094.17	95,916.00	16,974.68
Southern	211	39	227	52	270	123	396,517.44	849,562.84	256,041.48	111,454.76	82,744.80	623,620.61	54,934.08	113,992.90
Western	233	27	306	28	244	80	2,570,996.47	327,901.18	1,302,359.40	279,682.19	914,232.30	12,443.47	237,106.30	33,406.72
Utah	254	7	278	14	197	13	22,602.51	26,841.18	3,169.87	8,461.76	6,336.97	8,230.80	11,513.19	10,148.62
Vermont	162	3	216	3	168	33	76,841.50	48,000.67	11,224.86	7,925.54	37,595.05	30,811.01	15,312.34	9,324.12
Virginia:														
Eastern	1,532	37	1,427	20	647	71	489,589.96	18,024.08	189,527.03	4,943.21	204,680.56	8,198.97	88,482.98	4,844.53
Western	905	39	1,007	31	394	49	448,446.01	185,861.42	257,996.29	41,689.92	129,721.45	113,423.30	56,045.22	29,337.06
Washington:														
Eastern	166	4	221	3	100	7	75,495.60	647,947.22	31,217.74	38,084.90	18,909.73	484,149.18	24,223.10	65,871.28
Western	569	29	677	49	259	79	146,420.44	228,503.02	66,334.38	94,359.30	26,551.82	85,882.71	51,621.59	47,401.54
West Virginia:														
Northern	301	17	346	19	321	39	698,037.81	110,334.53	177,256.90	55,174.21	438,989.11	29,650.21	64,950.27	16,504.72
Southern	376	19	404	26	267	54	266,636.49	182,036.52	181,565.56	68,748.20	44,319.07	95,116.78	36,381.95	17,191.21
Wisconsin:														
Eastern	824	84	856	78	215	240	257,005.31	232,806.71	65,256.08	41,269.62	83,746.86	102,831.12	99,837.10	86,438.78
Western	529	30	500	32	412	51	234,288.29	222,061.80	88,470.83	156,566.65	60,314.39	32,426.15	76,717.16	32,790.56
Wyoming	48	4	90	9	80	12	28,653.52	7,956.38	8,360.06	991.02	11,643.12	5,184.51	7,924.06	1,691.00
Total	56,049	6,207	59,787	7,244	50,147	18,048	45,707,017.22	70,081,915.97	18,307,152.42	18,574,882.59	15,613,713.15	34,786,721.49	10,225,767.76	13,883,409.93

Failures in last six months of 1933 lower than in 1928

Analysis of business failures in the United States as submitted to National Recovery Administrator Hugh S. Johnson shows a marked decline in commercial mortalities during the last six months of 1933 as against the records of the same periods in 1932 and 1928.

Especially interesting in view of the claims recently made that small businesses have been squeezed under N.R.A. codes, is the finding in the analysis, made by Division Administrator A. D. Whiteside, that the decline in failures was sharper among such small businesses than in the larger groups.

The analysis is included in Mr. Whiteside's preliminary report of plans for the study to which he and Colonel Robert Hiester Montgomery, chief of the research and planning division, were recently assigned by General Johnson—to determine methods of liberalizing the extension of monetary credit for the benefit of industries and trades operating under Codes.

Inasmuch as no Codes became effective before July 1, 1933 and the President's Reemployment Agreement did not become effective until August 1, the National Industrial Recovery Act could not, Mr. Whiteside pointed out, have contributed to business failures prior to July 1.

In the last six months of the year, it is disclosed, the failure total was 6,805 lower than the total during the same period in 1932 and 3,420 below the total for the last half of 1928, a decline of 47 per cent from 1932 and 31 per cent from 1928.

"The year 1928," asserted Mr. Whiteside, "was one of good general business conditions and relatively low commercial mortality." For that reason it is particularly significant that the failure totals of the last six months of 1933 were under those of the last six months of 1928.

The monthly comparative figures are:

	1933	*1932*	*1928*
July	1470	2543	1867
August	1530	3105	1862
September	1040	2054	1563
October	1244	2049	2201
November	1308	2440	1696
December	992	2198	1825
Totals	7,584	14,389	11,014

Another table, significant because of its showing that while the rate of decline in failures affected all industry from the very large to the very small the highest total declines occurred in two groups of smaller concerns having liabilities of less than $25,000. Of the total decrease of 6,805 from the 1932 period, 5,325 or 78 per cent was in those two groups, indicated in the table below:

Liability Group	*1933*	*1932*	*Decrease*
Under $ 5,000	2,856	5,130	2,274
$5,000 to $ 25,000	3,324	6,375	3,051
$25,000 to $100,000	1,046	2,146	1,100
Over $100,000	358	738	380
Total	7,584	14,389	6,805

A chart of failures in the eight major geographical divisions of the United States shows not only the significant fact that the declines are most marked in the great industrial areas, for the last half of 1933 as compared with 1932, but it shows, for each area and each state, fewer failures for 1933 than for 1928.

Another compilation by divisions of industry shows the same uniformity as the other charts and tables, in that in all lines from heavy manufacturing to small retailing and service, the 1933 totals are very much under 1932 and well below 1928.

An "Insolvency Index and Bank Clearings Chart," a sensitive barometer of business conditions, shows a very low level in reflecting the actual failure totals during the last half of 1933. It shows a sharp drop in December, 1933, in comparison with an abrupt rise in December, 1932. It also shows a strong gain and final steadiness in bank clearings during the last half of 1933.

"But," continued Mr. Whiteside in his report, "as we are vitally interested in preventing failures which may be attributed to undue hardships imposed by the codes, we are concentrating, as you instructed me to do, upon observing the current effect of the provisions of the codes on the smaller units.

"The mortality records from January 1, 1934, on will include the following facts:

"1. The code under which the insolvent concern operated, or

"2. If not under a code, did the concern operate under the President's Reemployment Agreement, with or without modification, or

"3. Was the concern unaffected either by an Industrial or a Trade Code or by the PRA.

"A complete record of every insolvency in the United States will be maintained from January 1, 1934, on. This will be segregated and tabulated according to code names, without codes or according to the PRA.

"The list of concerns failing in each Industrial or Trade group will be filed every two weeks with the Code Authority administering the Code under which the concern has operated, and an analysis of the cause of each failure will be submitted to each Code Authority.

"A complete tabulation of all failures by Codes will be analyzed every two weeks and a detailed report will be submitted to you.

"As your purpose is to prevent failures caused by undue hardship imposed by the provisions of codes, the condition of all concerns reporting that they cannot operate under the provisions of the codes affecting their line will be considered.

"Steps will be taken to assist those entitled to monetary consideration. We are at present working with the financial agencies of the government along these lines. It should, however, be definitely stressed that under existing circumstances most incompetent concerns and those which would not under any circumstances be able to carry on because of natural conditions beyond the control of this Administration, will claim that their difficulties are due to the activities of the NIRA.

"During the past three or four months I have been peculiarly sympathetic toward requests for exemptions where it appeared that undue hardships were imposed by provisions of the code, particularly on the small business units.

"In several instances the Code Authorities have granted exemptions while in others it was obvious that the condition of the petitioning concern had not been due to the action of the codes.

"It should be clearly understood that the NRA cannot be expected to be a shield for incompetency, and that under the most favorable conditions the incompetents will fall out, or it will be evident that the conditions imposed by the codes are so favorable to industry or trade that the consumers of this country will pay an exorbitant price to maintain the solvency of less than one per cent of those engaged in business, which are incompetent."

The dollar: revised edition

What is this new dollar? Is it "good" money? Why devaluation? Is stabilization necessary? How will the policy affect business? Here are opinions: sound . . . constructive . . . enlightening.

by DAVID A. WEIR, Assistant Executive Manager, N.A.C.M.

The people of the United States have been more "money-conscious" during the past year than at any time since the hectic political campaign of 1896 when the Bryan slogan "Sixteen to One" was being expounded. Of course we are always "money-conscious" in the sense of wondering how to get more dollars. Under normal conditions, however, most of us give little consideration to the nature of the dollars for which we are striving.

After months of debate pro and con regarding inflation, stabilization, gold standards and all of the other terms which apply to monetary policy, we now have at least a partial answer to what the policy is to be. We are to have a gold bullion standard accompanied by devaluation and, at least temporary, stabilization. Briefly this means that our new dollar has its value measured in terms of gold without the circulation of gold coins; and that for the present at least, the weight of the gold dollar in making these measurements is to be a little less than 60% of its former weight.

Certain questions naturally arise regarding this new dollar. First, is the new dollar good money? Second, is its present content to be considered as permanent? Third, why have devaluation? Fourth, why is stabilization of the dollar important? Fifth, what are the possible and probable effects of the new dollar on business?

The first question which naturally arises in attempting to gauge the likelihood of benefit being derived is whether or not the new dollar is a "good" dollar. The answer to that question is comparatively easy. The dollar is good as long as the credit of the government is good and as long as the issuance of currency is kept within reasonable limits. It is well to remember that the currency in circulation, even though it has some gold backing, is a form of credit paper. Most of its value must depend upon the credit standing of the government which issues it. If this credit standing is jeopardized by the government contracting bills which it cannot pay or by the government imposing so heavy a burden of taxation as to stifle buying power, then the monetary unit decreases in value. While we are stretching our governmental expenditures to a tremendous degree at the present time, it is not generally felt that we have reached a danger point which would destroy the credit of the country. There is also a feeling of greater assurance that we are not likely to indulge in extensive currency inflation. Since these two facts are true, we may still feel that the United States dollar is "good" money.

The second question has to do with the permanency of the new dollar content. Provision has been made whereby the dollar content may be varied to a limited degree. The amount of variation is indicated by the fact that the weight of the dollar may be any place between 50 and 60% of its former weight. If there should be later changes within these limits, it is presumed that the basis for change will be the attempt to stabilize prices at some certain level. We have provision, therefore, for a modified form of the commodity dollar. It seems unlikely that there will be any very great change in weight within the near future. Since this is true and since the limit of possible change is so definitely set, there is little present need for worry in regard to the dollar's stability.

There are many who had hoped that the stabilization might be at the old level. However, those responsible for our monetary policy felt that stabilization would have to be accompanied by devaluation. In taking this attitude they had several ideas in mind. First, the contention was that stabilization at the old level would impose an unfair advantage upon debtors whose debts had been contracted at a time when the value of the dollar in making purchases was much less than it is at the present time. Second, the sponsors of the devaluation plan have contended that some increase in prices is necessary as a stimulus to business activity.

The line of reasoning which led to the conclusion that business activity might be stimulated by dollar devaluation is the following: the decrease in the weight of the dollar makes it possible to have more money in circulation while providing at the same time for a degree of gold backing in our monetary system. Since the law of supply and demand applies to money, an increase in the amount of money in circulation will tend to decrease the purchasing power of each dollar. Such decrease in purchasing power means higher prices. Of even greater importance is the fact that the greater number of dollars will provide a basis for credit expansion and that this may stimulate price increases. As prices increase the prospective purchaser of goods is encouraged to buy particularly if he feels that there will be a continued upward swing in the price level.

The above represents the theory of what may be expected from the new dollar. Whether or not this theory will be translated into actual results, no one can definitely predict; for there are other highly important factors, in addition to the dollar content and the amount in circulation, which affect prices.

Business has felt the need for dollar stabilization. Without some stabilization of value business operations are carried on under a tremendous handicap. As long as there is no certainty regarding the value of the dollar or as long as fear exists that there will be any extreme type of monetary inflation, a highly speculative element is introduced into normal and usual business relationships. This speculative element is intensified

where business operates largely upon a credit basis. This point may be emphasized by comparison with the condition which would exist if goods were sold on credit with the understanding that the price to be paid for the goods would be settled upon at the time when the account is due and payable.

Suppose for example the seller of goods should make delivery with the understanding that the account was to be paid in ninety days but with lack of any understanding as between buyer and seller as to whether the amount to be paid was six hundred or eight hundred or a thousand dollars. Under such conditions both buyer and seller would be attempting to carry on business in an almost impossible way. The seller would have no assurance as to the amount he was to receive and would not, therefore, be in a position to figure with any degree of accuracy the value of his receivables or the amount of cash he would later have for meeting of his own obligations. The purchaser of goods would not be able to estimate any selling price for the resale of the product, with any degree of assurance that it was the right price. The natural thing under such conditions would be to keep purchases of goods at the minimum level absolutely necessary for immediate use. Under these circumstances, therefore, with both buyer and seller being afraid to make commitments for the future, we would have a condition closely approaching business stagnation.

This is not at all dissimilar from the condition existing when the buyer and seller are uncertain as to whether the dollars they are to later receive will have a 60 or 80 or 100% purchasing power in comparison with the present purchasing power of the money. The result would be pretty much the same; namely, the feeling that it was dangerous to both to make commitments for purchase of goods very much in excess of immediate needs. Business has been suffering from exactly this condition and some stabilization of the dollar is, therefore, most encouraging.

The most immediately important question and the one which is the most difficult to answer has to do with the probable effect upon business of the new dollar. In considering this question we need to make a distinction between its effect on export trade and upon domestic business. At the present time the devalued dollar is a favorable factor in our foreign trade. With the dollar worth less in terms of foreign money, those abroad can buy from us by the expenditure of a lesser number of pounds or francs. If one pound sterling can be exchanged for $5 worth of merchandise, there is obviously more chance of foreign importers purchasing goods here than there would be if one pound could be exchanged for only $4 worth of merchandise. This advantage, however, may be only a temporary one since there are two factors which might change our favorable position. The first would be so rapid an increase in the prices of our goods in comparison with prices in other countries that our present advantage in exchange would be offset. The other factor which might destroy our advantage would be a contest among the nations of the world in which each nation would devalue its own money. This would be an international competition in cheapening of monetary units which

The author of this article.

would ultimately be disastrous for everyone. For that reason it would seem that the next logical step might well be concerted effort toward international stabilization of monetary units.

As applied to our domestic situation, the answer to the question regarding the effect of the new dollar, is likely to depend greatly upon the position of the person giving the answer. Those who would most naturally question the benefit of the policy are holders of bonds and mortgages or of any form of securities having a fixed rate of interest and a fixed maturity value in terms of dollars. The dollars received will have less purchasing power, if devaluation brings increased commodity prices. The claim is made, however, that there will be some value derived even by this group since it is hoped that the new policy will increase the chance of interest and principal being paid. The contention is that even a devalued dollar is better than none at all.

Any general benefit from the policy of devaluation and stabilization must depend upon whether increased prices and greater certainty regarding the value of our medium of exchange give to business the stimulation necessary for the employment of men and the building of purchasing power. Unless it does that no one will benefit. There will be no automatic benefit even to the debtors whom many have assumed would certainly be helped. The new dollar will not help the farmer, for example, to pay his debts unless there is a sufficient stimulation in business so that the farmer is enabled to sell more products at a price which will give him a profit.

Much as we may try to do so, we cannot get away from the fact that profits are necessary to business prosperity and to improved social conditions; and that no monetary arrangement or system can of itself assure profits. Recently a radio speaker was quoted as having said that "the ideal of the National Recovery Administration is humanity first and profits afterward." As an ideal, all will agree that this is a praise-worthy statement. As a practical matter there is a grave doubt as to how such an ideal would work if the statement meant that opportunities for making reasonable profits from the conduct of business were to be subordinated, for any long period of time, to the ideal of humanitarian advancement. Humanity cannot be served for long without production and sale of goods. Such production and sale will not continue for long unless there is a reasonable opportunity for profits in connection with those activities. It would seem, therefore, that the practical ideal is one in which humanitarianism and profits must be considered as going hand in hand. To assume otherwise may be good sentimentality but it is not good sentiment. The answer, therefore, to the question as to whether dollar stabilization and devaluation are good policy will depend largely upon whether or not they provide a way of fostering the return of profitable business operations, with business pursuing a more far-sighted policy in the distribution of income in such a way as to maintain purchasing power.

It is a fortunate thing that the country has become more conscious of the existence of a relationship between our monetary standard on the (*Cont. on page* 43)

Indexing overdue accounts

"The credit man is one of the few forced to operate without any knowledge of current conditions surrounding the 'commodity' he is handling"

by Dr. ROBERT RIEGEL, Director, Bureau of Business and Social Research, University of Buffalo

It seems strange that in these days, when there is such a wealth of statistical information on all phases of business activity, there is such a dearth of knowledge respecting the current results of extending commercial credit. Although we are kept posted on the production, prices, sales and profits of a multitude of industrial and commercial activities, practically no information is available as to the scope the cost or the results of "commercial credit." Yet this is certainly an extensive, important and sensitive branch of the field of credit.

I know of only two estimates of the total volume of commercial credit. In 1925 Carl Snyder[1] estimated that bonds, mortgages, bank loans, commercial paper and commercial credit (book accounts) together aggregated about 130 billion dollars. Of this, book accounts may, by an elimination process, be calculated to contribute approximately 12 billion or 9 per cent. In 1933 Evans Clark[2] estimated that total debts in the United States totalled around 234 billion dollars, of which 104 billion dollars constituted short-term debts, and of the short-term debts, 15 billion dollars were current liabilities of incorporated and unincorporated businesses and financing by commission men. If it is permissible to use the term for the latter rather miscellaneous category, "commercial credits" thus formed 6 per cent of the total debt and 14 per cent of the short-term debt. For numerous reasons this latter set of figures does not adequately portray the importance of commercial credit. There is space here to mention only two reasons. The total debt given includes governmental financing as well as private, and the liquidation or "turnover" of commercial credit is more rapid than for many other types of private debt.

Although "commercial credit" is so important by reason of its extent and rapid turnover, there is less known about its current condition than about any other division of the field of credit. No information is obtainable as to its average cost, no accurate estimate can be made of its extent, no current statistics are furnished as to the losses on such debts. Snyder stated that "The amount of such credit is quite incalculable, but its volume is very large; and it is known to vary pretty closely with the swings of business." Clark says, "A dozen different credit and banking authorities were asked for estimates of the total current liabilities of all business concerns, but none of them had the data." This is in striking contrast with credit extended by banks, on which comprehensive and prompt information is readily available.

Not only is the field of commercial credit extensive in scope but it is easy to believe that it is also the most sensitive of the various forms of credit. Any acceleration of the wheels of industry and trade might naturally be supposed to be first manifested in additional purchases and an increase in book accounts. When industry and commerce improve the retailer, wholesaler and manufacturer begin to buy more and begin to pay more promptly. There is probably a faster turnover in goods and consequently a quicker liquidation or faster turnover of book accounts. On the other hand, when prosperity is about exhausted, when the crisis approaches and sales are about to decline, employment to diminish and the lean months of the business cycle have their inception, more and more debtors presumably become "slow pay" and more and more book accounts become "overdue."

But all this is mere supposition. The only known fact is that the credit man is one of the few types of business men who is forced to operate without any knowledge of current conditions surrounding the "commodity" he is handling. He has no notion whether the amount of credit extended in his industry this month exceeds or falls short of that extended last month. He knows what his own concern's figures are on bad debts and overdue accounts, but has only the vaguest notion concerning the industry in general. He has no standard by which to judge whether his results are better or worse than the average. Many a credit man has been blamed for results which were more attributable to national factors beyond his control than to any weakness on his part.

It can not be expected that perfect information on commercial credit can be obtained immediately. This is impossible because people must be educated as to its desirability or, as the business man would say, "sold on the product." And it takes a business man with some imagination to have faith in a product which does not as yet exist. But the same was true ten years ago of other types of statistical information which are now regarded as common essentials of business management, such as information on national income, statistics of production and sales, indices of wholesale prices, etc. Furthermore, our knowledge of what is desirable in the way of credit information is limited, because material for study having been scanty, very little research has been done. Once started, however, information on credits will grow rapidly, because there is a need for it.

It seems obvious, in spite of our limited knowledge, that it would be useful to know the proportion of overdue accounts to the total accounts on the books, at regular intervals. With the object of making a beginning in credit information, and furnishing a picture of one phase of credit conditions from month to month, the Bureau of Business and Social Research of the University of Buffalo began to collect figures from a

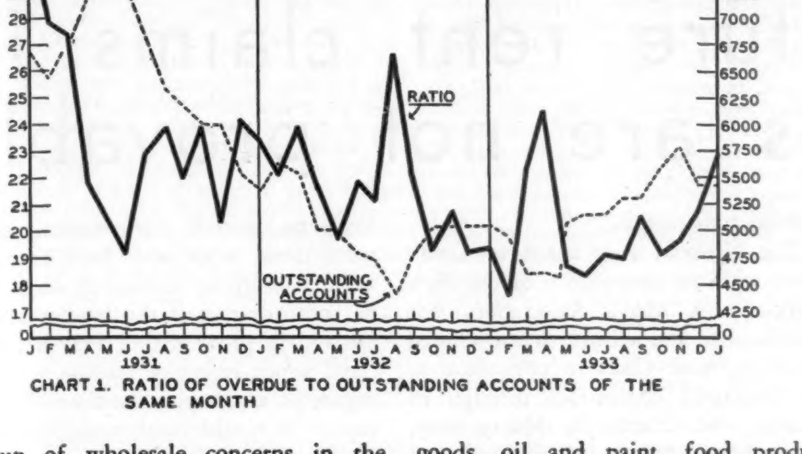


CHART I. RATIO OF OVERDUE TO OUTSTANDING ACCOUNTS OF THE SAME MONTH

group of wholesale concerns in the Buffalo district in 1930. This was done with the cooperation of the Association of Credit Men of Western New York. A number of credit managers agreed to cooperate immediately, merely by written request. This list was extended and some additional cooperators obtained by a field agent of the Bureau interviewing credit managers and explaining the objects. Buffalo concerns are very cooperative and have responded with very little solicitation. The figures have been collected continuously since October 1930, with some changes in the list of contributing concerns.

The list of contributors comprised on January 1, 1931, 19 concerns, at one time included as many as 33, and now totals 24. The original 19 concerns had a volume of $6,400,000 of book accounts in January 1931, and on January 1, 1934, 24 reporting concerns had a total of $5,500,000 of book accounts. The list comprises hardware, machinery, radio, electrical supply, clothing, dry-goods, oil and paint, food product, gasoline and motor oil, rolling mill, auto accessory and building material concerns.

Each of the reporting concerns reports on the first of each month the total amount of outstanding accounts on its books and the total amount of "overdue accounts," in dollars. The Bureau totals the overdue accounts and divides this total by the sum of the book accounts reported, thus obtaining the "ratio of overdue to outstanding accounts." A report is sent to each of the cooperating companies of the combined results, which are also published in our monthly Statistical Survey. We also publish the percentage gain or loss in outstanding accounts for whatever value it may have as an indication of fluctuations in sales, and to indicate whether the change in the ratio is due to slow pay or a sudden increase in the volume of accounts on the books.

For the purpose of showing the results I have drawn a diagram of the month to month changes in the ratio of overdue to outstanding accounts,[3] on two different bases: (I) the ratio of overdue accounts to the total outstanding accounts on the same date, and (II) the ratio of overdue accounts to total outstanding accounts on a date 60 days previous.

It would seem logical that under similar conditions overdue accounts should bear a constant relation to total accounts outstanding. An increase in the ratio indicates either slower pay or more liberal credit terms. Since accounts do not become due for 30, 60 or 90 days after sale, it seems more logical to compare the overdue accounts, not with the outstandings of the same date, but with the outstandings 30, 60 or 90 days prior. This is supported by Chart I, which shows that when overdue accounts are compared with outstanding accounts on the same date, large increases in outstanding accounts cause low ratios of overdue to outstanding accounts. In other words it appears that considerable fluctuation in the ratio is caused by changes in sales rather than by changes in payments.

In Chart II, consequently, I have compared the overdue accounts on the dates indicated at the bottom of the scale with the outstanding accounts at a date 60 days previous.[4] For example, overdue accounts on March 1 are compared with outstanding accounts on January 1. This eliminates some of the extreme ratios shown on Chart I. It can be seen that the trend of the ratio is downward until January 1933. This is true even if the first few months are eliminated, which possibly they should be because of the small number of concerns reporting at (*Cont. on page* 46)

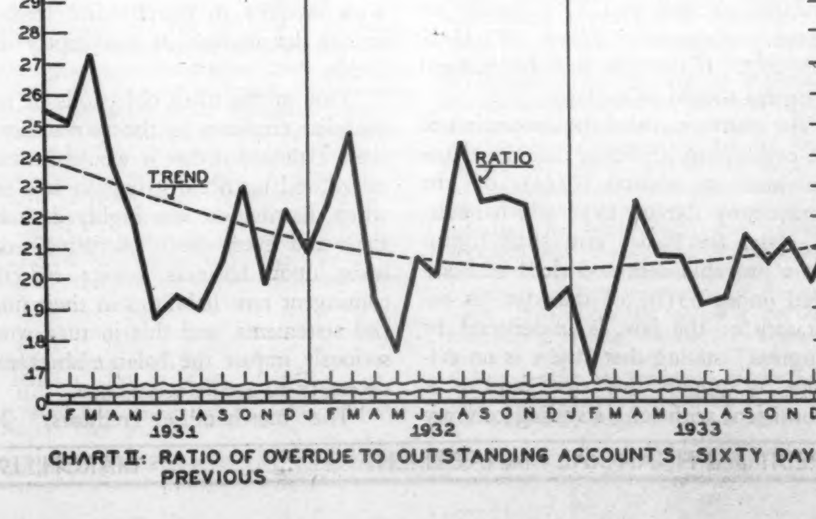


CHART II: RATIO OF OVERDUE TO OUTSTANDING ACCOUNTS SIXTY DAYS PREVIOUS

[1]Carl Snyder, "The Influence of the Interest Rate on the Business Cycle," American Economic Review, December 1925.

[2]Evans Clark, "The Internal Debts of the United States," Macmillan, 1933, Chap. X.

[3]To produce comparable figures is not as simple as at first sight appears. Unfortunately all concerns do not report without fail every month. Thus 23 concerns may report in January and only 21 in February. Again 21 may report in March, but not the same 21 which reported in February. To compare any two given months it is only necessary to have identical concerns for the two months in question, which is the practice in our monthly reports. For the chart illustrating this article, however, I have used 23 identical concerns for the last 27 months. For the preceding 10 months of 1931 this would have seriously reduced the number of concerns available and made the fluctuations more erratic. For the first 10 months, therefore, I have used identical concerns for each two consecutive months, made a chain index of the month-to-month changes, and translated this to the base of November 1, 1931, where the figures for the 23 identical concerns begin. When this is checked against the ratios obtained from *all concerns* reporting each month, the correspondence is close.

[4]A trial of lagging outstanding accounts 30 days and 90 days produces results not greatly different from those given. The proper method would be to lag *each concern's* outstanding by the customary term of credit for *that concern*, but varying terms of credit are offered by the same concern. Thus there is lack of uniformity not only among different concerns, but among different customers of the same concern. Any solution must therefore be a compromise at present. If the industrial codes standardize credit terms the problem will be simplified.

U. S. Supreme Court unanimously declares future rent claims in bankruptcies are not provable

The opinion of the United States Supreme Court in the cases of *Manhattan Properties, Inc.* v. *Irving Trust Company* and *Samuel R. Brown, et al.*, v. *Irving Trust Company*, published in full in this issue of the CREDIT AND FINANCIAL MANAGEMENT represents one of the most important victories ever won by the commercial interests of the country in support of sound credits.

The point at issue was whether under the Bankruptcy Act of 1898 and the amendments thereto, the claim of a landlord upon rejection of a bankrupt tenant's lease by the tenant's trustee is entitled to share ratably with other creditors in the distribution of the insolvent estate.

Holding that such claims are not provable, the Supreme Court pointed out that for more than thirty years, the Circuit Courts of Appeals in six circuits, and the district courts in another, have agreed that such claims are not provable and that the leading text writers on bankruptcy have so interpreted the Act for a similar period of time.

"From 1898 to 1932," the Court says, "the Bankruptcy Act was amended eight times without alteration" of Section 63, which defines provable debts. "This is persuasive that the construction adopted by the courts has been acceptable to the legislative arm of the government. * * * In this situation 'only compelling language in the statute itself would warrant the rejection of a construction so long and so generally accepted.' *Maynard* v. *Elliott*, 283 U. S. 273, 277. If the rule is to be changed Congress should so declare."

The court overruled the contention of the petitioning landlords that the clause contained in section 74(a) of the Amendatory Act of 1933 which reads: "A claim for future rent shall constitute a provable debt and shall be liquidated under 63(b) of this Act" is declaratory of the law as understood by Congress," stating that "there is no evidence to support this view, and it is inconsistent with long standing contrary judicial construction."

The National Association of Credit Men, with the cooperation of the New York Credit Men's Association, was permitted to file a brief in the United States Supreme Court in opposition to the landlord's contentions through its counsel, W. Randolph Montgomery, with whom Edwin M. Otterbourg and Charles A. Houston, of the New York bar, were associated for this purpose.

The decision of the Supreme Court, supporting as it does every contention made by the association's counsel, is a clear indication of the association's participation in the proceeding.

Commenting on the case of Manhattan Properties, Inc., against The Irving Trust Co., as trustee in bankruptcy of Oliver A. Olsen Co. and Samuel R. Brown and others against the same company as trustee in bankruptcy of the United Cigar Stores Co., Executive Manager Heimann said that this decision by Associate Justice Roberts was "of tremendous interest to general merchandise creditors."

"The National Association of Credit Men, in behalf of general merchandise creditors has been actively interested in this case as a friend of court, protesting allowance of landlords' claims for total unexpired portions of leases. If these claims were provable, merchandise creditors would in many instances find the total provable claims, against the bankrupt concern for goods sold, insignificant when compared to the claim the landlord would file for lease rental, with inequity to merchandise creditors in the distribution of bankruptcy dividends.

"One of the main objections of merchandise creditors to the provability of these claims was that it would seriously retard and restrict distribution at a time when distribution was highly desirable. Each and every credit executive would insist upon business houses reflecting contingent rent liabilities in their financial statements, and this in turn would seriously impair the balance sheet ratio necessary to credit acceptance.

"The merchandise creditors," Mr. Heimann stated, "are unsympathetic with those who seek bankruptcy to avoid liability on account of leases, but he contends that if the landlords were allowed to prove their claim in full, a claim which is indeterminable with any degree of accuracy at the time of bankruptcy, it would result unfairly to the merchandise creditors."

But, despite the decision of the Supreme Court the victory is not yet won, for there is now pending in the United States Senate a bill (H. R. 5884) which passed the House of Representatives on June 6, 1933, which, if enacted without amendment, would reverse the rules laid down by the Supreme Court and would make landlords' claims for loss of future rent provable without limitation.

This provision in the pending bill must be defeated, and the National Association has made known to the Senate Judiciary Committee the objection of the credit interests of the country to the proposed legislation.

At this writing the indications are that the objectionable provision will not be enacted without substantial modification.

Mr. Justice ROBERTS delivered the opinion of the Court:

These cases present the question whether a landlord may prove in bankruptcy for loss of rents payable in the future, where the claim is founded upon the bankrupt's covenant to pay rent, and, in the alternative, upon his breach of a covenant that in event of bankruptcy, the landlord may reenter, and if he does, the tenant will indemnify him against loss of rents for the remainder of the term.

In No. 505 it appears that Oliver A. Olson Co., Inc., was the lessee of premises for a term of nine years and eight months beginning February 1, 1928, and expiring October 1, 1937. Defaults in payment of rent due February and March, 1932, were followed by an involuntary proceeding in which the company was, on March 18, 1932, adjudicated a bankrupt. The total rent reserved for the portion of the term subsequent to bankruptcy was $58,000, and, as the claimant asserted, the present rental value of the leased premises for the remainder of the term was $33,000. The lessor filed its claim, one item being damages for loss of future rentals, which it asked to have liquidated at $25,000, the difference between the rent reserved and the present rental value.

The lease contained a covenant that if the tenant should default in the payment of rent, or abandon the premises, or if they should become vacant, the tenant become insolvent, or make an assignment for the benefit of creditors, or if bankruptcy proceedings should be instituted by or against the tenant, the

landlord might without notice reenter the premises; and after obtaining possession, re-let as agent for the tenant, for the whole or any part of the term, and from time to time, and:

"The Tenant further agrees to pay each month to the Landlord the deficit accruing from the difference between the amount to be paid as rent as herein reserved and the amount of rent which shall be collected and received from the demised premises for such month during the residue of the term herein provided for after the taking possession by the Landlord; the overplus, if any, at the expiration of the full term herein provided for shall be paid to the Tenant unless the Landlord within a period of six months from the termination of this lease as provided herein shall, by a notice in writing, release the Tenant from any and all liability created by this provision of the lease, which it is agreed the Landlord shall, at the Landlord's option, have the right to do, in which event it is agreed that the Landlord and the Tenant shall have no further rights and liabilities hereunder."

The referee expunged so much of the claim as sought damages for loss of future rents, holding that it did not constitute a provable debt. The District Court and the Circuit Court of Appeals were of the same opinion.[1]

In No. 506 premises owned by the petitioners were held by the bankrupt under a lease dated June 14, 1920, for a term to expire June 30, 1945. There was a covenant that on default by the lessee, or if it should be adjudicated a bankrupt, the lessor might enter and repossess the premises,

"... and upon entry as aforesaid this lease shall determine, and the Lessee covenants that in case of such termination it will indemnify the Lessor against all loss of rent which the Lessor may incur by reason of such termination, during the residue of the term above specified."

A voluntary petition was filed and an adjudication entered August 29, 1932. November 23, 1932, the trustee disaffirmed the lease, and three days later the lessors took possession and proceeded to collect rents from the occupants of the demised premises; and January 13, 1933, they filed a proof of claim which as amended included an item of $4404.40, representing the difference between the rent accrued to the date of reentry and the collections from occupants during that period, and an item of $143,615.80, representing the difference between the alleged rental value for the remainder of the term after reentry and the rent reserved in the lease. Petitioners made application for liquidation of their claim under Sec. 63 (b) of the Bankruptcy Act. The trustee moved to have the claim expunged and disallowed. The referee disallowed both items, and his action was affirmed by the District Court and the Circuit Court of Appeals.[2]

The controversy hinges upon the interpretation of the following sections of the Bankruptcy Act:

"Sec. 63. *Debts which may be proved.* (a) Debts of the bankrupt may be proved and allowed against his estate which are (1) a fixed liability, as evidenced by a judgment or an instrument in writing, absolutely owing at the time of the filing of the petition against him, whether then payable or not, with any interest thereon which would have been recoverable at that date or with a rebate of interest upon such as were not then payable and did not bear interest; . . . (4) founded upon an open account, or upon a contract express or implied; . . .

"(b) Unliquidated claims against the bankrupt may, pursuant to application of the court, be liquidated in such manner as it shall direct, and may thereafter be proved and allowed against his estate."[3]

"Section 1 (11). 'Debt' shall include any debt, demand, or claim provable in bankruptcy."[4]

"Section 17. A discharge in bankruptcy shall release a bankrupt from all of his provable debts," . . .[5]

A majority of the Circuit Court of Appeals felt bound to follow its earlier decision *In re Roth & Appel*, 181 Fed. 667, which denied a landlord's right to prove a claim for future rents arising under a similar lease. The view there expressed was that the occupation of the land is the consideration for the rent, and if the right to occupy terminates, the obligation to pay ceases; and the covenant to pay rent creates no debt until the time stipulated for payment arrives. Since many events may occur which will absolve the tenant from further obligation for rent, the claim is said to be too contingent, both because of the uncertainty at the date of adjudication that the lessor will reenter, and the doubt as to his suffering loss of rent if he should reenter.

In the present case, one of the judges of the Court of Appeals held that *Maynard* v. *Elliott*, 283 U. S. 273, has settled the provability of claims contingent in the sense that no sum is presently payable, thus destroying the principal ground of decision in *re Roth & Appel*, and that the estimation of the present worth of payments to be made in the future is no obstacle to the proof of a claim based upon an anticipatory breach. *Central Trust Co.* v. *Chicago Auditorium Association*, 240 U. S. 581.

The petitioners say the provability of claims for future rent is a subject on which the lower federal courts have been in disagreement. They argue that a claim for rent is founded upon a lease which is an express contract within the words of Section 63 (a) (4). They rely upon the purpose of the bankruptcy law to bring in all contract creditors and to discharge all debts of the bankrupt, so that he may start afresh unembarrassed by old indebtedness, and point to the hardship to an individual bankrupt of not discharging claims for rent which might well prevent his financial rehabilitation, and the unfairness to the landlord of a corporate bankrupt who, under the decision below, cannot prove upon his lease along with other creditors, but must look solely for redress for loss of future rents to a corporate debtor whom bankruptcy has stripped of all assets.

The respondent asserts a substantial difference between rent and other kinds of indebtedness, and presents equitable considerations thought to weigh in its favor, but especially stress the legislative history of the bankruptcy laws passed by Congress, and insists that the preponderant construction of them by the courts excludes claims for future rents from the class of provable debts.

The issue is not one of power, for plainly Congress may permit such claims or exclude them. The sole inquiry is the intent of the Act. The construction for which the petitioners contend is, as a matter of logic, an admissible one. But that construction is contrary to the great weight of authority as to the effect of similar provisions in earlier Acts, and Section 63 of the present Act.

The petitioners call attention to the last clause of Section 74 (a), which is one of the sections added to the Act in 1933:[12] "A claim for future rent shall constitute a provable debt and shall be liquidated under section 63 (b) of this Act." Sections 73 to 76 inclusive were enacted to permit extensions and compositions not theretofore possible. They apply only to individuals. It is highly unlikely that if the quoted sentence had been intended as an amendment of Section 63 (a) it would have been placed in context dealing only with the novel procedure authorized by the new sections. Moreover, the discussion on the floor of the Senate relative to the insertion of the sentence, indicates that it was not intended to alter Section 63 (a) as it then stood.[13] The petitioners insist the clause is declaratory of the law, as understood by the Congress; but there is no evidence to support this view, and it is inconsistent with the long standing contrary judicial construction.

It remains to consider the effect of the indemnity covenants in the leases. These do not provide for liquidation of damages (compare *Wm. Filene's Sons Co.* v. *Weed, supra*), nor indeed for any right to damages for breach of the covenant to pay rent.

In No. 505 the agreement is, in the event of reentry and reletting by the landlord, to pay each month the deficit accruing from the difference between the amount to be paid as rent under the lease and the amount received by the landlord from the premises throughout the residue of the original term; and further, that the overplus, if any, at the expiration of the term, shall be paid to the tenant, unless the landlord, within six months from reentry, release the tenant from all liability under the covenant, which the landlord is authorized to do, thus terminating all rights and liabilities under the agreement of lease.

In No. 506 the stipulation is that upon bankruptcy the landlord may reenter and thereby terminate the lease, and the lessee covenants that, in such case, "it will indemnify the Lessor against all loss of rent which the Lessor may incur by reason of such termination, during the residue of the term" . . .

In both cases the lessor has the choice whether he will terminate the lease. Neither the bankrupt nor the trustee has any such option, except as the trustee may be entitled by law to disclaim. And upon the exercise of the option by the landlord, a new contract, distinct from that involved in the original letting, becomes operative. While there is some color for the claim that bankruptcy is an anticipatory breach of the lease contract, entailing a damage claim against the estate, this cannot be true as respects these independent covenants of indemnity. For here, the landlord does not rely upon the destruction of his contract by the bankruptcy; he initiates a new contract of indemnity by the affirmative step of reentry. And this new contract comes into being not by virtue of the bankruptcy proceeding, but by force of the act of reentry, which must occur at a date subsequent to the filing of the petition. Obviously this contract of indemnity is not breached by bankruptcy, and cannot be breached until the duty of indemnifying the landlord arises. That obligation cannot be complete until the expiration of the original term. There can be no debt provable in bankruptcy arising out of a contract which becomes effective only at the claimant's option and after the inception of the proceedings, the fulfilment of which is contingent on what may happen (*Cont. on page* 41)

This decision is of vital importance to all merchandise creditors. Be sure to read it. Then pass it on to other credit executives.

[1]66 F. (2d) 470.
[2]66 F. (2d) 473.
[3]U. S. C. Title 11, § 103.
[4]U. S. C. Title 11, §1.
[5]U. S. C. Title 11, § 35.
[12]Act of March 3, 1933, 47 Stat. 1467.
[13]Cong. Rec., Senate, Feb. 24, 1933, pp. 5058-9; Feb. 27, 1933, p. 5278.

N. A. C. M. pioneers

by J. H. TREGOE,
Past Executive Manager,
N. A. C. M., 1912-'27

Chapter Seven: "New Era" Years

The dawn of 1913 found the world drifting unconsciously toward the most devastating collapse of international relations that human history has ever recorded. A "new era" seemed in the offing. It came with repercussions and reactions that are still in the laps of the gods for final adjustment.

A smugness was visible in the chancelleries of Europe. The economic surface was undisturbed. Societies for the promotion of good will between the nations were elated over the immediate picture. Business and finance proceeded as though no skulking danger was lurking ahead. In our country commerce displayed no uncommon symptoms. Everything was quiet along the business front. The people, as a rule, are unaware of storm signs. They were then also unaware that in the previous decade there had grown up an industrial power through the stimulus of expanding genius that would energize every productive utility when extraordinary demands leaped into the political picture.

As a builder of intelligent credit practices, the National Association of Credit Men stood at the threshold of this new era, with shoulders broad enough and heart stout enough to stand the brunt of approaching changes which proved to be without any complete pattern in the nation's economic evolution.

The dramatization of the story would be incomplete were we not to mention some, at least, of the men whose devoted, skillful touches had helped in the rearing of a business group, which would cast a stabilizing influence when human passions and subtle greed were on a rampage of destruction. Philadelphia contributed to this honor roll A. W. Pickford, one of the most certain but retiring thinkers of those days. New York offered an unusual group of tireless workers—Frank S. Flagg, E. D. Flannery, E. S. Boteler, W. M. Kennard. Wichita was represented in the front line by L. B. McCausland. Cleveland had a colorful place in the National diagram and offered in addition to its active sons already mentioned, W. M. Pattison and William Tonks. Detroit was ably represented by W. A. Petzold and Arthur E. Johnson. Milwaukee had always been responsive and to its honor list could be added the names of Richard J. Morawetz and Harry L. Eisen. Lynchburg furnished Edward F. Sheffey. Along the Association's active front were also found George C. Morton of Boston, Peyton B. Bethel of Louisville, J. G. Davis of Dallas, F. J. Hopkins of Minneapolis, A. H. Dobson of Utica, Herbert E. Choate of Atlanta.

The scenery was being silently shifted and lurid acts in a human drama of appalling intensity were appearing with startling frequency.

The political overturn of November, 1912, placed the reins of government in the hands of the Democratic party for for the first time in two decades. But Congress had "a rod in pickle" for Wall Street. The Professor-President appeared to realize intuitively that after having demolished the central bank idea of the Aldrich-Vreeland Bill, an adequate banking and currency system should be carved out along democratic ideals. Mr. Wilson voiced this conviction in his message to the Congress, at a special session, on April 17, 1913.

The lower chamber in the previous Congress had been under Democratic control. The Banking and Currency Committee became actively engaged in the grilling of Wall Street by a subcommittee under the chairmanship of Mr. Pujo of Louisiana, and a quest for ideas upon which to base a new banking and currency system was placed with a sub-committee under the chairmanship of Mr. Glass of Virginia.

The Banking and Currency Committee of the National Association of Credit Men stood like a watch dog in this situation. The Association had pledged its support to the Aldrich-Vreeland Bill, and just what to do in the political complication was difficult for the committee to decide. Very early in the hearings arranged by the Glass Committee, the chairman cordially invited our Association to have its representatives appear in Washington and submit their ideas. Mr. Endy, Chairman of the National Committee, and his associates were in a flutter, as this incident marked the first time our organization had been called upon to play so important a role in banking and currency matters. At the appointed time a delegation composed of the chairman, C. D. Joyce of Philadelphia, H. H. McKee, a distinguished banker of Washington, the writer—then Executive Manager—and his assistant, Mr. W. W. Orr, made their bow to the Glass Committee and offered a thesis in support of the central bank idea.

Mr. Glass was then at the threshold of his great financial work. He was affable, patient, and kind. Not many minutes were required by Mr. Glass to convince our delegation that the Aldrich-Vreeland design had been completely scrapped by the Democratic platform of 1912. A conference of four instructive hours ended with our delegation assuring Mr. Glass that they would whole-heartedly support him in getting through the House of Representatives the best possible banking and currency bill.

In a little while, the Federal Reserve Bill appeared, and a storm of unusual bitterness raged about it. True to its promise our committee and the national staff worked hand in hand with Mr. Glass in a fight that would have broken down a man of lesser mental strength. Our fears of certain provisions of the bill were reserved. Proponents of "cheap money" were vigorously beaten back and finally the bill passed safely through the House. Mr. Owens of Oklahoma, Chairman of the Finance Committee of the Senate, sponsored the bill through that upper chamber of the Congress. A hearing was granted our Committee and a most interesting conference was held at which time we recommended certain changes, and some of them were eventually allowed. After a rough voyage of many months, the Federal Reserve Bill became a law, by the President's approval, on December 23, 1913.

This paramount public question was largely in the Association's eye during 1913, and provided a prominent feature for its eighteenth annual Convention in Cincinnati. During the previous year, a number of new Associations had been

and traditions

organized by the field workers, the membership recorded an increase of 1300 and the total stood at a new peak of 17,145.

Progress was found in every department of the National Association. The fighting front was unbroken. The officers were re-elected.

1914 now broke, and it proved to be a year that will be marked so long as man exists. There was no change in the world composure. Loans moved freely at low interest rates. Business in the United States was a little below normal. Settling the number and boundaries of the Federal Reserve Districts, building the machinery and details of the System, were prominent in the public view just then. A committee of Cabinet members was designated by the President to canvass views in the important cities, and by invitation the writer offered to the committee during its sitting in New York, his carefully considered opinion that there were eight clearly defined trade districts in the country, and therefore, there should be eight district banks. The President finally accepted the maximum number (twelve) of districts permitted by the Law, and the first Governing Board was appointed by him on August 12, 1914.

Before this happened, a shot in the Balkans rang round the world. Austria moved against the Serbs, Germany threatened Russia, asked impossible guarantees of France, war was declared, men were mobilized, the tramp of marching feet appalled the nations and soon humanity was in a blaze. July 1914 recorded the beginnings of a titanic struggle that swallowed more wealth and destroyed more people than all of the wars of the Christian Era.

Money was as much needed as armaments, the belligerent nations would soon be borrowing on a colossal scale. American securities held abroad came flying back, and as a protection against this barrage of securities, the New York Stock Exchange closed July 31. Surplus commodities for export piled up while shipping was endangered. Prices of basic products began to fall. Banks trembled under the pressure. Business sagged and one outstanding economist forecast a panic.

The situation was abnormal and somewhat terrifying. Fear was the principal danger, and feeling that the forecast of a panic was very foolish and imprudent when basic conditions were sound and free of inflation, the Executive Manager of the National Association called a conference in New York, canvassed the conditions of each business represented, found there were no earmarks of panic and through the publicity department of the National Office had prepared and distributed 50,000 copies of a booklet entitled "A Message of Assurance."

A currency strain was threatening, and the Aldrich-Vreeland Emergency Currency Act, that had been briefly extended by President Wilson, was invoked for the first time, and it gave relief. As a protective gesture some of the leading banks subscribed to a gold fund in September, 1914, but this fund was never brought into real action because of changes that were near at hand. When England cleared the ocean lanes and renewed her supremacy on the seas, surplus commodities passed into export, the outward tide of gold was changed into an inward flow.

The twelve Federal Reserve Banks began to operate November 16, 1914. Despite the doubts and apprehensions of this historic year, we had an export balance of $325,000,000 and a gold loss of less than $200,000,000.

In the midst of business uncertainties, the National Association convened for its annual convention of 1914 in the city of Rochester, New York. A distinguished pioneer, George G. Ford, was the local president and welcomed the delegates. Mr. Glass was one of the prominent convention speakers. A canvass of the organization found no rifts in its texture, a forward attitude marked the convention proceedings. Mr. Henry Detchon, builder of credit organization in Canada, was royally welcomed. During the proceedings, a calamitous failure in New York called many of the delegates to their desks. The membership recorded several newly organized Associations, a net increase of 1,352 and a new high peak of 18,497. Charles E. Meek of New York was elevated to the president's office, H. G. Moore of Kansas City was elected first vice-president and H. E. Choate of Atlanta second vice-president.

During this cycle, the National Bankruptcy Law was severely complained of. The law wasn't flexible enough to fit in with the rapidly changing conditions. To this demand, the Association responded with a careful review of the faults and the facts, eventually resulting in recommendation for the further amending of the law offered by the National Bankruptcy Law Committee and accepted at the convention of 1916.

1915 was the natal year of the New Era for production consciousness. The genius and the credit facilities had grown quietly, but when the belligerent nations demanded of us large quantities of goods and the neutral nations turned to us when their usual sources of supply had been cut off, our industrial powers became energized, machines began to turn actively, surpluses of basic products dwindled away, production and profits took first place in the public mind and we were ushered into a period where "mass" was a siren's chant. Had mental equilibrium been preserved, had the various elements of production been intelligently kept in balance, had the important place of credit been recognized, much of the later economic overturn would have been saved. First things were not always placed first, any idea that offered economy and yet was difficult to install irritated the production dreamer.

The Federal Reserve System encouraged the use of acceptances in domestic business. The trade acceptance would have saved millions of dollars annually in commercial credit; it would have blasted out the credit anomaly and the expensive practice of open book accounts; it would have saved a great deal of the recurring credit waste, yet it wasn't easy to apply. The Association strove masterfully to popularize the trade acceptance (*Continued on page* 29)

If

you have liked these seven articles on N.A.C.M. history—and there are more to come—let us know whether you would care to have them compiled into a booklet at the publication cost of 50 cents. We've had several requests already. If enough are received we can go ahead with this idea.

The business

a compilation of business and

BUSINESS INDICES: That trade and production are continuing on the up-grade, is shown by all the leading metropolitan estimates for January. The high point for 1933 was set at 83.3. December registered at 74.2 and January is now pegged at 76.4, although there may be a slight revision up or down in these first figures for the new year. It is interesting to note in this connection that November trade and production index was but 70.5. A further indication of the up-swing is shown by the gains in bank clearings which during the second week in February, 1934, showed a 16.7 percent increase over the same week of 1933. The cities making the best showing in this feature were Atlanta with 46 percent gain, Chicago 35 percent, Minneapolis 29 percent, Louisville 33 percent, Dallas 40 percent, and San Francisco 23 percent.

AUTOMOTIVE TRADE: News from the motor car industrial centers continues to be encouraging. The wholesale sales by General Motors during January totaled 62,506 units. This total does not show very well against the 82,117 units for January, 1933, but does reflect a pickup when considered against the low figures of the last quarter of 1933. It is however to the February totals to which the motor makers are looking with anticipation. Chrysler gave out the encouraging report on February 15 that the sales of that group are running above the first quarter total for 1933. Employment in the Detroit motor car area which includes Pontiac, Flint and Lansing, on February 1 was 162,971, as compared with 103,071 on a similar date in 1933, according to figures given out by the National Automobile Chamber of Commerce.

STEEL TRADE: For the week ending February 12 the operation in the steel trade was indexed at 39.9 percent by the American Iron & Steel Institute. For the week previous the index was set by the same authority at 37.5 percent. This is the highest current rate of operation for any week since last September, when the index was placed at 40.9 percent. The U. S. Steel Corporation reported on February 12 that it expected to show an increase in actual shipments in February over January, despite the fewer working days.

EMPLOYMENT GAINS: The severe weather during February in many parts of the country brought a sharp gain in employment of coal miners. At Scranton the loadings of anthracite was higher during the week closing February 7 than in any similar period in the past five years. In Toledo, Ohio, 1388 were added to payrolls during the week closing February 10. Reports from steel producing centers tell of expectation of further increases in production in March.

Better weather ahead

Credit executives will find much to rejoice about in the survey of collections and sales printed on another page in this issue. The survey which closed on February 15 indicated another "change for the better" in the index of these two important features of business activity, which in the final analysis, show the real trend of industrial progress. The slump in the number of points reporting Slow as compared with those indicating Fair and Good on both Collections and Sales is carried on this month. It also is noteworthy that the number reporting Good under both columns also has increased this month. This survey in reality gives a cross section of the industrial life of the nation. With reports tabulated from 111 points in the United States, the survey actually registers the report of experience of many thousands of the leading industrial concerns. The fact that the gain in sales conditions is actually greater than that indicated in the collection field, seems noteworthy.

The Fairchild index of retail price trends continues to show gains. On May 1, 1933, the composite index was 69.4 percent. On February 1 this composite index had increased to 88.5, which was a gain of half a point over January 2 of this year.

"The change in prices during January was comparatively slight, with the greatest increase recorded in piece goods," says the Fairchild review. "Women's apparel prices actually showed a fractional decrease, while men's clothing quotations averaged slightly higher. This was also true of infants' wear and home furnishings. A study of the major classifications comprising the index shows a more normal relationship between the composite which is a weighted aggregate and the various subdivisions.

"In the early stages of price recovery, the tendency was for certain items to lag in the upward movement. This was particularly true of non-textiles. However, it may be noted that most items sold at retail are beginning to reflect the rising trend."

thermometer:

financial trends and indications

The Foreign Trade Council sees a happy prospect in the announcement at Washington during mid-February of the establishment of a special bank by the RFC to finance foreign trade. The announcement by the Foreign Trade Council states:

"While the urgency of this plan was not so apparent in our prosperous years up to the end of 1929, the subsequent four years of depression have brought into bolder relief the necessity of providing more favorable credit facilities than are permissible under our commercial banking laws," the Council states. "It has been generally conceded that commercial banking facilities under our present banking system require to be augmented to meet the needs of American exporters and importers in providing longer term credits, in competition with European manufacturers aided by their governments."

Though preliminary estimates of the dollar volume of retail sales and financing of new passenger cars show that these items were both lower in December than in November, the totals for the entire year 1933 reveal an increase of 22.4 percent in sales and 30.6 percent in financing as compared with 1932, reports gathered by the Bureau of Foreign and Domestic Commerce disclose.

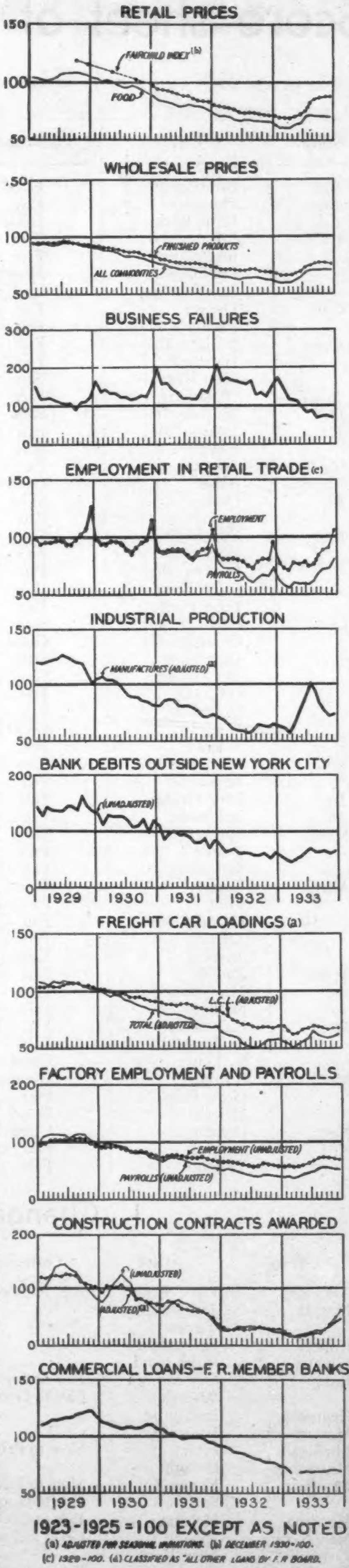
In announcing the results of its monthly survey of new automobile sales and financing, the Bureau points out that the decline for December may be accounted for to a large extent by the fact that practically all of the manufacturers released their new models during January of this year instead of from one to three months earlier as has been the practice for the past several years.

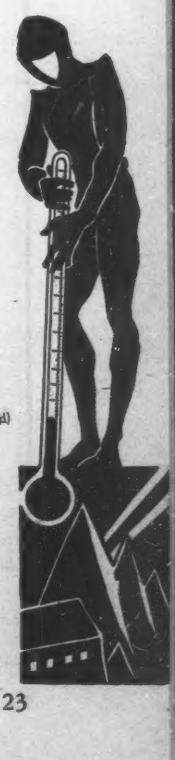
Retail sales of new passenger automobiles, computed from the number of cars sold as reported by the National Automobile Chamber of Commerce, show a decrease of 10 percent for the past December over December, 1932, and a decrease of 49 percent as compared with December, 1931; with a decrease of 47 percent from November. Preliminary estimates of the dollar volume of retail financing of new automobiles, as reported by a sample group of large finance companies show an increase of 30 percent for the month of December, as compared with December, 1932, but a decrease of 35 percent as compared with November, 1933.

The New York Times Weekly Analist for February 16 points to a gain in business activity and especially the sharp gain in cotton consumption as one of the leading factors in business improvement, as follows:

"The principal factor in the December-January increase was a sharp rise in the adjusted index of cotton consumption, which rose from 68.5 to 88.8. Next in importance were increases in the adjusted indices of freight-car loadings and automobile production, the car loadings index rising from 62.2 to 65.2 and the automobile index from 41.6 to 54.1. Gains were also recorded in the adjusted indices of electric power production, silk consumption, zinc production and pig iron production. Steel ingot production increased by less than the normal seasonal amount, the adjusted index declining from 54.3 to 48.8. The only other component to show a decline was lumber production, the adjusted index declining slightly from 51.9 to 50.0. Data are not available for wool consumption, boot and shoe production and cement production."

The adjusted index of freight car loadings for December shows an advance for the second successive month and the present available figures for January also indicate a continuance of these increases. The general operating statistics for the railways for the entire year of 1933 is 2.8 percent. However the gross operating revenues were 1.2 percent less than in 1932 and the rigid control of operating expense is credited for the advantage gained by the transportation lines. It is interesting to note in this connection that expenditures for maintenance of way for class I roads was fifty million dollars below the total for 1932. At the end of December the mileage of railways in the hands of receivers had reached a total of 42,400 miles, more than double that at the close of 1932.





1923-1925 = 100 EXCEPT AS NOTED

(a) ADJUSTED FOR SEASONAL VARIATIONS. (b) DECEMBER 1930=100. (c) 1929=100. (d) CLASSIFIED AS "ALL OTHER LOANS BY F. R. BOARD.

Dept. of Commerce charts.

Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Good	Good	N. Y.	Albany	Fair	Good
Ariz.	Phoenix	Fair	Fair		Binghamton	Fair	Fair
Ark.	Little Rock	Good	Good		Buffalo	Fair	Fair
Calif.	Los Angeles	Fair	Fair		Elmira	Fair	Fair
	Oakland	Fair	Fair		Jamestown	Fair	Fair
	San Diego	Slow	Good		New York	Fair	Good
	San Francisco	Fair	Fair		Rochester	Fair	Fair
Colo.	Denver	Fair	Fair		Syracuse	Fair	Fair
	Pueblo	Fair	Fair		Utica	Fair	Fair
Conn.	Bridgeport	Fair	Fair	N. C.	Charlotte	Good	Good
	Hartford	Fair	Fair	N. D.	Grand Forks	Good	Fair
	New Haven	Fair	Fair		Fargo	Fair	Fair
	Waterbury	Fair	Fair	Ohio	Cincinnati	Fair	Good
D. C.	Washington	Slow	Fair		Columbus	Good	Good
Fla.	Jacksonville	Fair	Slow		Dayton	Fair	Fair
	Tampa	Slow	Slow		Toledo	Slow	Slow
Ga.	Atlanta	Fair	Fair		Youngstown	Fair	Fair
Idaho	Boise	Good	Good	Okla.	Oklahoma City	Fair	Good
Ill.	Quincy	Slow	Slow		Tulsa	Slow	Fair
	Springfield	Fair	Good	Ore.	Portland	Fair	Fair
Ind.	Evansville	Fair	Fair	Pa.	Allentown	Fair	Fair
	Ft. Wayne	Fair	Fair		Altoona	Slow	Slow
	Indianapolis	Fair	Fair		Harrisburg	Slow	Fair
	South Bend	Fair	Fair		Johnstown	Slow	Fair
	Terre Haute	Fair	Fair		New Castle	Fair	Fair
Iowa	Burlington	Slow	Slow		Pittsburgh	Fair	Fair
	Cedar Rapids	Good	Good		Uniontown	Slow	Slow
	Davenport	Slow	Fair		Wilkes-Barre	Slow	Fair
	Des Moines	Good	Fair	R. I.	Providence	Fair	Fair
	Ottumwa	Fair	Fair	S. D.	Sioux Falls	Slow	Fair
	Sioux City	Fair	Fair	Tenn.	Bristol	Fair	Fair
	Waterloo	Good	Good		Chattanooga	Good	Good
Kan.	Wichita	Fair	Fair		Knoxville	Fair	Fair
Ky.	Lexington	Slow	Slow		Memphis	Fair	Fair
	Louisville	Fair	Good	Tex.	Austin	Good	Good
La.	New Orleans	Fair	Fair		Dallas	Slow	Fair
Md.	Baltimore	Fair	Fair		El Paso	Fair	Fair
Mass.	Springfield	Slow	Good		Ft. Worth	Fair	Fair
	Boston	Fair	Fair		Houston	Good	Good
	Worcester	Fair	Good		San Antonio	Good	Good
Mich.	Detroit	Fair	Fair	Utah	Salt Lake City	Fair	Fair
	Flint	Fair	Fair	Va.	Lynchburg	Fair	Fair
	Grand Rapids	Fair	Fair		Richmond	Good	Good
	Lansing	Fair	Fair	Wash.	Bellingham	Fair	Fair
	Jackson	Fair	Fair		Seattle	Fair	Fair
Minn.	Duluth	Fair	Good		Spokane	Fair	Fair
	Minneapolis	Fair	Fair		Tacoma	Fair	Fair
	St. Paul	Fair	Good	W. Va.	Bluefield	Slow	Slow
Mo.	Kansas City	Fair	Fair		Charlestown	Fair	Good
	St. Joseph	Fair	Fair		Clarksburg	Fair	Fair
	St. Louis	Good	Fair		Parkersburg	Slow	Fair
Mont.	Billings	Good	Fair		Wheeling	Slow	Slow
	Great Falls	Fair	Fair	Wis.	Fond du Lac	Fair	Fair
	Helena	Good	Good		Green Bay	Fair	Fair
Nebr.	Omaha	Good	Good		Milwaukee	Fair	Fair
N. J.	Newark	Fair	Fair		Oshkosh	Fair	Fair
	Trenton	Fair	Fair				

Changes since last month's survey

State	City	Collections	Sales	State	City	Collections	Sales
Arkansas	Little Rock	Fair to Good	Fair to Good	North Dakota	Grand Forks	Fair to Good	
Florida	Jacksonville		Fair to Slow	Ohio	Cincinnati	Slow to Fair	Slow to Good
	Tampa		Fair to Slow		Columbus	Fair to Good	Fair to Good
Illinois	Springfield		Fair to Good	Oklahoma	Tulsa		Slow to Fair
Indiana	South Bend		Good to Fair	Pennsylvania	Harrisburg	Fair to Slow	Slow to Fair
Iowa	Des Moines	Fair to Good	Good to Fair	South Dakota	Sioux Falls		Slow to Fair
	Waterloo	Fair to Good	Fair to Good	Tennessee	Chattanooga	Fair to Good	Fair to Good
Kentucky	Louisville		Fair to Good		Memphis	Good to Fair	Good to Fair
Massachusetts	Worcester		Fair to Good	Texas	Dallas	Good to Slow	Good to Fair
Michigan	Flint	Slow to Fair	Slow to Fair		Fort Worth	Good to Fair	
Minnesota	Duluth		Fair to Good	Virginia	Lynchburg	Good to Fair	Good to Fair
Missouri	Kansas City	Slow to Fair		Washington	Bellingham	Slow to Fair	Slow to Fair
	St. Louis	Fair to Good		West Virginia	Clarksburg		Slow to Fair
Montana	Helena	Fair to Good		Wheeling	Wheeling	Fair to Slow	Fair to Slow
New York	Albany	Good to Fair		Wisconsin	Fon du Lac	Slow to Fair	Slow to Fair
	New York		Fair to Good		Oshkosh	Slow to Fair	
North Carolina	Charlotte	Fair to Good	Fair to Good				

Comments from correspondents:

This month's survey on Collection and Sales conditions shows an even more marked improvement than was registered on the January survey. This month we find 18 points reporting Collections as Good as against a 14 score last month. There were 73 reporting Fair this month with the same number last month but with only 20 reporting Slow as against 23 checking Slow last month on Collections. The improvement in the general Sales conditions is better than on collections. A total of 26 points report Sales as Good as against 18 so reporting last month. Again the same number report Fair for both months—the count is 76. Last month 16 reported Slow for Sales while this month only nine classify under the Slow heading.

ALABAMA: Birmingham reports "Independent merchants in much better shape than they have been in a long time. Collections Fair to Good especially in agricultural sections."

ARKANSAS: Little Rock reports both collections and sales as Good.

CALIFORNIA: Oakland indicates "decided improvement in retail sales in January. San Francisco reports improvement in collections and that sales are better."

COLORADO: Denver points to "low prices of live stock retarding improvement; expect more mining activity in spring."

CONNECTICUT: New Haven reports some improvement in collections. Waterbury says factory employment remains fairly steady. "Certain new industries in Waterbury contribute to new confidence and better local trade."

DISTRICT OF COLUMBIA: Washington collections still checked at Slow but improving. Sales hold to Fair for the third month.

FLORIDA: Jacksonville finds fruit prices still a drawback on sales but indicates better returns on collections. Improvement in prices on other crops expected.

KENTUCKY: Louisville sends word that "retail and wholesale sales are improving, particularly in hardware and textiles. Tobacco factories working full time. Outlook much better. "Sales are checked at Good and Collections Fair."

KANSAS: Wichita sends word that "sales by our members for January show in most cases good gains. Current accounts are being paid promptly but old debts are being paid very slowly."

INDIANA: Evansville: "Retail sales are better than those of wholesalers and manufacturers." Fort Wayne reports "retail sales for January reported by one of the largest department stores in the city were the best for any January in four years."

IOWA: Cedar Rapids continues to classify under Good for both sales and collections. Des Moines indicates that CWA and corn loans are helping collections considerably. Waterloo reports many members indicate improvement in collections and that sales are holding up since the start of the year.

MASSACHUSETTS: Boston indicates collections and sales Fair to Good. Springfield and Worcester reports many men going back to factories.

Summary

This Month:

Collections:		Sales:	
Good	18	Good	26
Fair	73	Fair	76
Slow	20	Slow	9

Last Month:

Collections:		Sales:	
Good	14	Good	18
Fair	73	Fair	76
Slow	23	Slow	16

MINNESOTA: Duluth: "Collections show a slight falling off. Sales took such a jump and in such a volume to justify being rated at Good." St. Paul says collection of current accounts is Good but old accounts are still Slow. Sales above a year ago and increase anticipated.

MICHIGAN: Detroit says "Collections improving because of increased payrolls and employment. Definite improvement in automobile trade has stimulated sales in a wide circle." Flint reports collections and sales improving. Jackson says "there has been quite an improvement in sales due to automotive trade."

MISSOURI: St. Louis reports collections Good with sales Fair. Kansas City moves up from Slow to Fair column on collections. St. Joseph indicates collections much better than a year ago.

NEW YORK: Albany shows a slight slump in collections with sales still Good. Binghampton members show a majority for Fair on both sales and collections. Buffalo indicates Fair to Good for both collections and sales. Elmira writes: "Have no industries directly benefited by inflation. Was slow to feel depression and will likely recover more slowly." Sales in the metropolitan district as reported by New York continue in the Good column with collections Fair.

NEBRASKA: Omaha: "Business activity has increased 10 to 50 percent compared with last year. Corn loans and Farm loans placing millions of dollars in circulation."

NEW JERSEY: Newark replies that collections and sales still quite "spotty."

OHIO: Columbus finds wholesalers do not find same business gains as do manufacturers. Cincinnati reports sales 15 to 40 percent better than last year with general improvement in last 30 days. Toledo still checks under the Slow column for both collections and sales but indicates slight improvement in latter. Dayton says "Tool and die shops and larger manufacturers are having a decided pickup in their business and in some cases are working two shifts of eight hours each."

PENNSYLVANIA: Altoona and Harrisburg still report collections as Slow. Jamestown however indicates improvement that checks favorably with the spurt of last summer. Jamestown also is looking hopefully toward a large order given to Bethlehem Steel Company's car shops.

SOUTH DAKOTA: Sioux Falls reports that corn loans and CWA funds are helping at least half of trade area and that sales are improving in most lines.

TENNESSEE: A post card survey taken by the Chattanooga Association shows seven reporting Fair and 10 Good on collections with none indicating Slow. On the sales side, 2 report Slow, six indicate Fair and nine check under Good. Some of the comments received in this survey also are interesting. "Old accounts being paid." "Difficult to hold collections in line with sales." "Trend toward better collections and sales."

TEXAS: Austin continues to check under the Good columns for both collections and sales. (*Cont. on page* 41)

"This month's collection letter"

By HOWARD VERGOWE, Robert A. Johnston Co., Milwaukee, Wis.

A mighty man was John L. Sullivan . . . . .

Little did the world believe he would be conquered by the slender Corbett. But the determined Corbett had a plan.

His theory of "light blows"—delivered regularly and systematically won him the heavyweight championship of the world.

Mr. "Debtor", you can lick that balance of $75.00, but it will necessitate regular "punches" to do it. We suggest $5.00 each week for the next 15 weeks. Bear in mind, though, your success depends on unfailing regularity.

Begin now—and don't let a week pass without making a payment!

From the newly-published "Collection of Collection Letters," we draw for comment on the "stunt" type of collection letter.

"Any person," it says, "who has had experience in collection work knows that it frequently is necessary to do something out of the ordinary to get the 'other fellow' to act upon your request for a check. Experienced collection executives know that some customers are 'just careless' about making remittances. This is particularly true in small trade lines where the merchant is the sole business operator in his establishment. He is buyer, bookkeeper, letter writer and clerk. He puts collection letters 'in his desk' and intends to attend to 'those matters' when he 'can find time.' The collection letter is faced with the task of 'jolting' him to action without offending.

"Newspapers use headlines of varying sizes, advertisements employ layout and illustration, the radio program features novelties and authorities. All have one basic, fundamental purpose—to attract your attention and hold your interest. Fortunately for these three media of accomplishment, all are accepted as such; there is little mental opposition or resistance to their appeal.

"Not so with the collection letter. It is entirely necessary (unfortunately) for the creditor; entirely unnecessary in the debtor's eyes. Hardly anything has to break down a resistance such as a collection letter encounters. Even sales letters have an easier path for people are generally interested in buying; a slow payer or a non-payer has little or no interest in payment."

Supplementary to your collection letter efforts there should be reliance on Credit Interchange reports. With interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented here as a monthly feature.

Send us your best collection letter for our "collection of collection letters" which we are gathering for our readers.

The P. W. A. and the credit man

By WALTER EVENSEN
Treasurer, Crane Co.; First Vice-President, The Chicago Association of Credit Men

The government's spending program under the Federal Public Works Administrator, Harold L. Ickes, of Chicago, seems destined to get under full swing early in 1934, and credit executives in the plumbing, heating and allied fields are going to be faced with an unprecedented series of credit problems as a result.

Not only will it be necessary for them to exercise their best judgment, but if their best judgment isn't flawless, the houses which they represent may find, at the end of the year, that they have lost money on materials and supplies furnished on government projects.

The history of federal contracts during the past few years is a history of bankruptcies, compromise settlements, law suits and at best overdue accounts. It is estimated that 50 per cent or more of government projects in the past few years became involved before completion with substantial losses to both general and subcontractors as well as to material houses.

While this has largely resulted from the practice of the federal government awarding contracts to the low bidder, without taking into consideration his financial ability and reputation, there is no dodging the issue that material men must shoulder a substantial share of the blame. No building would have been completed nor a project finished if various people, with materials to sell, hadn't taken a chance by furnishing the materials required.

True, some of the ones who were "burned" in the past may have been unfamiliar with the strange practices of the depression. But other suppliers who have not had the unfortunate experience of being unable to get their money for materials supplied on federal contracts may disregard the fact that the obligation is not that of the government but the person who placed the order.

Because the government proposes to spend $3,300,000,000 or more on public works, it would seem a fair assumption that a fair profit would accrue to material men. But this assumption does not jibe with the facts.

Until such time as there is protective legislation which assures the subcontractor receiving his money from the general contractor promptly, and until some way is found of eliminating the vicious practice of the successful general contractor soliciting new bids, and thus chiseling the original price, I see no safe way but to tighten up when exchanging good merchandise for credit, in every case when a government contract is involved.

The present situation is fraught with financial danger to the entire building industry. It is the consensus of conservative opinion that the remedy must finally be sought in federal legislation. In the light of experience what is needed is legislation to compel general contractors on goverment work to pay their subcontractors monthly installments in the same proportion as they themselves are paid; and in the event of failure to do so, legislation is needed to enable the government to hold back payments to the general contractor until the situation has been rectified. Further, the government should be permitted by statute to make direct payments to subcontractors should the general contractor fail to deal properly and justly with the subcontractor.

And to make sure that the business houses which supply materials for the project are paid promptly, it should also be provided that the government pay material men direct, the instant the contractor or subcontractor fails to make payment in an amount proportional to the sum received.

In addition to these safeguards, it would be wise to correct another evil which is responsible for many losses. I refer to the practice of some general contractors soliciting bids from reliable subcontractors, securing the contract from the government, and then soliciting entirely new bids for the subcontract work.

The bankruptcies which have resulted from thus playing one bidder against another are extremely numerous. How could it be otherwise when such subcontract work may finally be taken at 20 per cent or more under cost?

Insistence that the general contractor include in his bid the name and bid of all subcontractors, and the prohibition of all subcontract bids after the award has been made would provide a simple remedy.

Admittedly these much needed reforms cannot be achieved in a moment, yet the whole building industry today is faced with the spectacle of Uncle Sam handing out public works contracts with a prodigal hand—the identical contracts which are the most prolific source of our heaviest credit losses.

What a temptation! What potential profit if suppliers were to collect in full for the materials utilized in the projected work. What staggering losses there will be for the unwary since 50 per cent of all the projects, experience indicates, are going to get into financial difficulties before acceptance by the government.

Coming on top of so many "hungry" years, the most prudent credit executive might easily be swayed to take risks on this vast government work which are not warranted by the history of credit losses that have accompanied this type of business during the past few years.

Under the present system, the material supplier is at the mercy of the general contractor or subcontractor as the case may be. He has no contact with the governmeent and no redress. Extreme caution in accepting credit seems therefore to be indicated by everyone when asked to bid on public works or other federal projects.

The financial responsibility, reputation and ability of both the general contractor and the subcontractor should be scrutinized closely and the exact nature and extent of the risk determined. Without a careful weighing of all of these elements, with ample deductions to provide a safety factor, it is going to be impossible to liquidate the receivables once the business is placed on the books. It is an individual not the government of the United States who contracts to pay for the materials supplied.

Reprinted from Chicago A. C. M. Bulletin

Force of habit

"What's the noise?"

"John, the barber, is shaving himself."

"What's the conversation?"

"He's trying to persuade himself to have a shampoo."

—*V. P. I. Skipper.*

Los Angeles convention plans developing rapidly

The rather comprehensive machinery necessary for the handling of the National Convention has started to move with no uncertain accuracy.

During the past few weeks Executive Manager Henry Heimann and Convention Director Brace Bennitt have been spending considerable time at Washington, D. C., for the purpose of contacting some of the nation's leaders and securing their presence on our Convention program. Everything looks toward a Convention of unusual significance.

Word has been received from Chicago and New York indicating that special trains will be used by the delegates from those points. It is too early, of course, to give any detailed program but Convention dates are definitely set as June 11th to 15th inclusive. The headquarters will be in the Biltmore Hotel.

Plans for the invasion of Los Angeles by members of the credit fraternity of Chicago and surrounding states are rapidly nearing completion. It will be but a matter of a few weeks before Secretary J. F. O'Keefe, of The Chicago Association of Credit Men, will be able to announce the definite plans for making the trip. A "Round America" trip costing $150.00 is announced by Chicago's Association.

On Sunday, June 10th, there will be the usual informal reception to the arriving delegates. On Monday morning, June 11th, Convention headquarters will open at 9:00 a.m. for registration, and the Convention will formally open with an appropriate band concert at 2:00 p.m. On Monday evening one of the important entertainment features will take place, namely: the President's Ball. This will in all probabilities be in the Sala De Oro of the Biltmore.

Tuesday, the Convention session opens at 9:30 a.m. and continues until 4:30 p.m. There will be numerous sectional luncheon meetings, and that evening the Divisional dinners will probably take place. A Western Division dinner meeting is planned for delegates from this territory. This will be followed by an appropriate entertainment—a musicale or show, with probably dancing later. Wednesday, June 13th is the big entertainment feature—an all day and evening trip of some sort is planned. No decision has as yet been reached but there is a probability that a special boat will be chartered for a trip to Catalina Island.

On Thursday, June 14th, Convention reconvenes in the morning and adjourns at 11:00 a.m. to the Sectional meetings held under the Credit Congress of Industry. On this day the various types of business get together for a more intimate discussion of the credit problems particularly confronting them. Thursday evening there will be additional entertainment, as yet undecided.

Friday, June 15th, the Convention is in session and closes during the afternoon following the rather festive nominations and inauguration of new officers and directors for the National Association. Some entertainment will be provided on Friday evening but as yet is undetermined, possibly a Masque Ball.

The young lady was looking over the stock of radios. "I want to buy one on the installment plan," she said.

"Yes, madame, I think that can be arranged. Have you any references?"

"Yes, from our last dealer."

"May I see them?" he asked.

"Well, I haven't any with me," she returned, "but I'm sure he will be glad to tell you that there wasn't a scratch on the cabinet when he took it back."

Pioneers and traditions

(*Cont. from page* 21) and have it legally used. But the distribution urge resented its difficulties and preferred the easy yet wasteful method to this new instrument of economic promise.

The world situation did not encourage any letting down in the dynamics of the Association's operations. By the close of 1915, every state in the nation was protected by a Bulk Sales statute, and a number of original statutes had been given real teeth. This protective legislation was a monument to the Association's untiring energy.

The False Statement Act was being pressed for enactment in all of the states. By the close of this cycle more than one-fourth of the states were in the enacting column. The statute threw a net around many credit offenders.

Ethical control in the commercial relations of our people, and in the relations of the laity and the Bar emerged as a strongly pronounced feature of the Association's program. Canons of Ethics, well thought out and directed, were presented to each convention. Credit education was being pressed more to the front, the need and value of it were emphasized strongly; every encouragement was gladly given to its advancement along sound scholastic lines.

The pressure on our production facilities, the mass movement of commodities overseas, the charm of profits, bred a materialistic turn to the business mind. The old romanticism faded out, highly developed specialization showed its head. Business addresses lost their poetic touch. The meeting for fraternal development became difficult. We were in the first stages of an agnosticism that would eventually administer a severe punishment.

The twentieth convention of the National Association was entertained in Salt Lake City. There was a great deal to discuss and the discussions were wholesome. A number of new Associations had been organized in the year, but due to the uncertainties of the previous midyear, the membership failed to reach the 20,000 which had been a convention slogan; the increase reported was 789 and the total membership, 19,286

At this convention, the Robert Morris Associates, a body of financial credit managers, was organized and entered upon a splendid career. The master builders of this useful organization were Freas Brown Snyder of Philadelphia, Alexander Wall of Detroit, and J. K. Calhoun of Chicago. (*Cont. on page* 32)

Paging the new books

Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

ANALYZING FINANCIAL STATEMENTS. By Stephen Gilman, C.P.A. The Ronald Press, New York, N. Y. $4.00.

As they come to know more about how to analyze financial statements, credit executives find this source of information more and more valuable. Stephen Gilman, C.P.A. and credit adviser, has done an excellent job in his new book under the above title.

Records of sales by the forms department of the National Association of Credit men indicate an increase year by year in the use of standardized forms for financial statements published by the association. Those who have used these forms will find Mr. Gilman as an authority favoring standardized forms as a means of obtaining such information for credit files. By way of an introduction to his general program for the study and analysis of financial statements, Mr. Gilman says of the advantages of standard forms: "Pertinent and searching questions, if embodied in a printed form, are usually less irritating to a customer than if verbally requested or if embodied in a specially dictated letter." Mr. Gilman's book provides a text-book which is at the same time so elemental that the tyro may use it as a study book and the experienced credit executive may also turn to it as a reference with which to check his own experiences.

The author devotes considerable of his thought to a discussion of ratios. He lists eight out of 45 various ratios mentioned by different authorities. After a discussion of these listed ratios and their application in statement analysis the author indicates how they may be used in determining trends, which give what may be called a perspective view of the situation under question. He also points how the use of the ratios may be used to spot difficulties which may lie hidden in the bare figures shown on the statements.

It is Mr. Gilman's thesis that no one ratio or one method of analysis may be set forth which may be used as a definite slide rule for determining credit capacity.

He also sets out some interesting studies in business policies for the financial manager to use in his own business.

—R. G. TOBIN.

Today's problems

People, who have inclinations along such lines, lamented the passing of the old-fashioned dime novel some years ago. There was small consolation for them in the answer: "The dime novel isn't dead. It has a new kind of cover and sells for $2.00 now."

And there are people today who can recall that the word "Economics" in the title of a book meant that it sold for five or ten dollars, weighed several pounds, and was documented and foot-noted almost beyond readability.

But that has been changed. With economics being discussed at dinner tables, in smoking cars, and over the radio, there is a renaissance in the matter of publications on economics. And the prices are down to the same levels of one to two dollars. In recent months many commendable volumes have appeared; four of them are here noted.

THE DOLLAR, THE FRANC AND INFLATION. By E. L. Dulles. The Macmillan Co., N. Y. $1.25.

Having already published a work on the French monetary situation and the devaluation of the franc between 1914 and 1928, Dr. Dulles is qualified to compare the franc of that period and the dollar of 1933.

Although there has been relative stabilization of the dollar since this book was published, the analogies between the French and the American situation in respect to the question of inflation is instructive and of fundamental importance. The fact that excessive debt, governmental in France as contrasted to non-governmental in the U. S., was the cause of the French inflation and that rising prices did not cause prosperity merit mature contemplation on our part.

—PAUL HAASE

THE ECONOMICS OF THE RECOVERY PROGRAM. By the Messrs. Brown, Chamberlin, Harris, Leontief, Mason, Schumpeter, and Taylor of Harvard University. Whittlesey House-McGraw Hill Book Co., N. Y. $1.50

The seven authors of this volume turn their attention to the economic scene. Each one analyzes one portion of the panorama: including depressions, purchasing power, control of industry, labor, prices, farm problems and politics. Their procedure is to discern the aim of our recovery measures in these seven classifications, to analyze the means selected to achieve success, and to forecast the results that may arise from the application of these means.

The analyses vary in their outlook because more than one man has worked on the tome. But for sane, non-technical criticism and analysis that is non-partisan but not unintelligent, this volume is a good parallel to Col Ayres' work.

—P. H.

THE ECONOMICS OF RECOVERY. By Col. Leonard P. Ayres. The Macmillan Co., N. Y. $1.75.

From March through July of the past year, American industrial activity rocketed upward at a rate more than three times greater than in any previous four months in our business history and about six times as great as the pace prompted by huge war orders in 1915.

In August the rocket began to descend. A lower level has been prevalent in past weeks. Clearly, no one is interested in recovery that germinates its own destruction. What, then, are the fundamental economics of recovery?

Here is "The Economics of Recovery," an analysis and a conclusion by Col. Ayres, economist of the Cleveland Trust Company. The author is hardly to be classed among the New Dealers. His reliance for recovery is on revival and expansion of private enterprise because he believes the depression is a result of the war which occasioned maladjustments between production, demand, and credit, all of which was complicated by the huge existing debt burden.

"The true lesson of the depression," he declares, "is that we cannot afford any more great wars." That is, no

doubt, the best anti-war argument possible.

Regardless, however of his conclusions, his book merits study because it is short, because it is clear, because it is a factual, well-charted approach to our problems.

—P. H.

THE STERLING - DOLLAR - FRANC TANGLE. By Paul Einzig. The Macmillan Co., New York, $1.75.

Mr. Einzig is the foreign editor of the London Financial Times; and he has written other books on the money question. He is competent, therefore, to discuss, and he does discuss very lucidly, the problem indicated by the title of his latest book. Emphasis is laid on the fact that any one nation can no longer confine the consequences of its particular monetary policy within its own borders, for now, more than ever before, monetary policies bring about international complications, such as devaluation races, and control of foreign exchange. It is for this reason that Mr. Einzig emphasizes the need for international cooperation in the monetary sphere.

The book has not been outdated by the developments brought about by the signing of the gold bill by President Roosevelt. These developments will be understood much better, if what this book says is kept in mind.

—E. G. PAPPASTRATIS.

"Be it enacted"

THERE OUGHT TO BE A LAW. By William Seagle. With caricatures by Gropper. The Macaulay Co., N. Y. $1.25.

The first paragraph of an advertisement in this magazine last month, speaking for the Credit Manual of Commercial Laws, observed: "Almost every time some group wants a law, it gets one. That's fine if the new law is really needed. Trouble is, however, that it's almost impossible to keep tab on all the new laws. Even the legislators get a *bit* dizzy."

And from such dizziness, there apparently arises a weakness that allows passage of such ludicrous notions of what should or can be regulated, that you are strongly inclined to believe this "collection of lunatic legislation" to be fancifully fictional rather than farcically factual.

There is certainly some justification in doubting democracy when one learns that, in all seriousness, Louisiana has a statute prescribing the kind of hat pin to be worn by the women of Huey Long's state; that in Michigan a Justice of the Peace shall not hold court in a bar-room; that Texas prohibits marathon dancing beyond 24 hours; that Massachusetts demands at least three bells on a horse-drawn sleigh; that the official language of Illinois is "The American Language"; that . . . oh well, you get the drift by now.

Here is a funny commentary, also a pathetic one, on our law-making urge which dictates passage of many statutes, observance of few. Gropper's illustrations are excellent burlesques in the right mood.

—P. H.

All about taxes

FEDERAL TAX HANDBOOK (1933-1934), by Robert H. Montgomery, C. P. A. The Ronald Press Company, New York City. $7.50.

The Revenue Act of 1933 presents so many complicated statutory provisions, couched in an excess of verbiage possible only to legislators, that it leaves the brain of the uninitiate in a hopeless quandary. Even legally trained intellects experience great difficulties trying to ascertain the intent of the legislators whose ingenuity produced it. The act itself is obscure, but this obscurity has been so enhanced by the decisions of the Board of Tax Appeals, that anyone who succeeds in simplifying it, so that the average taxpayer might understand its terms, will have done a great service.

Robert H. Montgomery has tried and almost completely succeeded in his Federal Tax Handbook but he required 1130 pages to explain it fully.

After careful consultation of Mr. Montgomery's Handbook we learn that the twelve and one-half per cent provision under the capital gain section does not apply to corporations, nor may individuals use it in respect to bonus and royalties derived from oil and gas leases in Texas, because they constitute income and not capital gain.

Mr. Montgomery thoroughly explains the three methods of computing losses from depreciation, favoring the straight-line method. He further distinguishes between depreciation and obsolescence, calling the former "normal physical wear and tear," and the latter "lessening in value due to economic changes."

These are just two of the many interesting points covered in a very thorough treatise, but the best advice given by Mr. Montgomery to a taxpayer endeavoring to file a return, especially for a tax under the National Recovery Act, is to see a good tax lawyer.

—A. B. CLOHOSSEY.

Pioneers and traditions

(*Cont. from page* 29)

The export trade of 1915 reflected the intense foreign demand for our products, a favorable balance of 1 and ¾ billion dollars resulted. The gold movement of the previous year was changed and we had an import balance of 421 millions.

The export pot was boiling high when 1916 arrived. The producers of basic goods and fabricated products for war needs were walking on air, profits were mounting and employment was general. The Foreign Credit Department of the National Association of Credit Men had now advanced far enough to justify separate management, and a special committee. The founders of the department, and its first manager, B. B. Tregoe, displayed a fine courage, and its services in the export field were without duplication throughout the nation.

Punishing credit crimes through a central fund and a central control gradually broadened as a protective service. Voluntary subscriptions amounted to $25,000 at the close of this cycle. This fund implemented the idea and gave to the National Association a fighting chest.

New credit demands were constantly met. Every conduit of credit was carefully watched. The limelight was on production, credit lacked the glare but it stood as a sentinel on guard.

Credit Interchange expanded, with 61 Bureaus operating at the close of 1916. The idea of a National clearance emerged at this point and was strongly advocated by the St. Louis Association. The economy of friendly adjustments became more widely recognized, with bureaus available in all of the important Associations. Realizing the need of uniformity in operations, and the indispensability of capable management, a conference of Interchange and Adjustment Managers was held each year.

The educational and cooperative value of credit conferences along state or district lines was demonstrated in 1916; they became an inspirational feature and brought many fine gatherings. The National staff was enlarging; many ideas of real credit uplift were coming to the fore.

The twenty-first annual convention of the National Association was entertained in Pittsburgh during June, 1916. The William Penn Hotel, convention headquarters, had just been erected and ours was its first convention. An active figure in Association circles, James E. Porter, was the local president and assured Pittsburgh's hospitality. The war situation, the irritation to our country by certain unpleasant incidents, the functioning of the Federal Reserve System, the operation of the newly organized Federal Trade Commission, the general nervousness of the people, gave an unusual color to this convention. Yet through it all the bulwarks of the Association were carefully inspected and its powers to serve vividly brought out. Newly organized Associations were small in number during the previous year but the membership increase reflected an earnest interest and brought the membership of the National Association to a new peak of 20,780.

One of the finest thinkers in this unusual period, Charles D. Joyce of Philadelphia, was elected President. S. J. Whitlock of Chicago passed into the first vice-president's office and Frank S. Flagg of New York became the second vice-president.

The export balance of the year amounted to over three billion dollars, and the net gold imports were 530 millions.

In this cycle several of the founders, like "streaks of the morning had melted into the infinite azure of the past," with never to be forgotten records. James G. Cannon of New York, the leader president of 1897, M. E. Bannin of New York, the National vice-president of 1896, Charles G. Rapp of Philadelphia, W. S. Campbell of Detroit, and Thomas Todd of Baltimore passed out of life.

All set, the National Association of Credit Men faced the future with a firm courage and a fixed course.

Apt pupil

"Did you give our daughter that copy of 'What Every Girl Should Know'?" asked Dad.

"Yes," replied Mother, despondently, "and she's writing a letter to the author suggesting a couple of dozen corrections and the addition of two new chapters."

—Boston Beanpot.

In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Air conditioning for 'phone booths

Churchill Cabinet Company has devised a system of ventilation which exhausts air from a telephone booth and provides a positive supply of fresh air.

Unique in detail it is adapted for use in practically every kind of telephone booth. The new system, while providing positive ventilation, of which the occupant is conscious, does not subject the user to a draft; and in addition expels heat, smoke and odors.

The light and ventilator may be connected in parallel and controlled by a door switch so that when the door is opened the light is extinguished and the ventilator is shut off.

"Slim Jim" new memo book

Another new product of the National Blank Book Company, Holyoke, Mass., is a new loose leaf thin back memo appropriately dubbed, "Slim Jim." It is declared to be almost as thin as a wafer and almost feathery in its lightness, weighing only one ounce. It has three rings which open or close quickly for easy insertion or removal of sheets. "Slim Jim" should fill the demand for a memo that will not bulge the pocket. It retails for twenty-five and fifty cents and is attractively dressed in colorful leather and imitation leather covers with metal back. Each book contains twenty-five leaves of faint ruled Yorkshire bond paper.

New Todd checkwriter

Among the greatest advances in a decade of checkwriter design and manufacture is the new thirty-three key operated Protectograph announced in January by the Todd Company, Rochester, N. Y. This machine was developed as the result of over ten years' continuous research and test, and the expenditure of large sums in experimentation. It is called the first moderate priced key operated checkwriter ever offered. The key board is standard, and comprises eighty-one keys. There are 1,024 parts in this model.

This new Protectograph is different in appearance from anything the checkwriter industry has ever shown. Credit for the external styling is due to Henry Dreyfuss, industrial product designer of New York, who was engaged to style the proposed case.

Model 33 is finished in a rich satin black, with the keys in jet black and gray, relieved by a maroon background. German silver trim heightens the modern effect of the design. Through newly designed and enlarged numerals a greater degree of protection for amount lines is secured. This fact is coupled with the Todd two-color ribbon inking principle which thoroughly permeates the paper and provides uniformly inked impressions as it comes in contact with the type—assures unbroken characters that are always shredded perfectly into the check to assure maximum safety. The type is forged brass, and the brass platen is guaranteed against chipping for the life of the machine. An insurance policy protects the owner of the Model 33 against losses up to $12,500 resulting from check alteration and forgery losses.

Human nature and credits

The biggest obstacle the "New Deal" is up against is human nature, and it can only go as fast as there are "New Dealers" to give it cohesion, force and direction, Harry King Tootle, of the New York Times, told the February forum meeting of the New York Credit Men's Association.

"It is going to be a gigantic task," said Mr. Tootle. "Among those who must be turned is that 10 per cent of whom President Roosevelt speaks when he sets an arbitrary figure for code recalcitrants. There must not only be a Commander-in-Chief—and we have him now—but there must be an army. The task of the President is not only to lead against a real enemy, but also to hold his army together in the face of the discouragements and attacks generated by selfish human nature."

The belief was expressed by Mr. Tootle that under the "New Deal" something will be done to put an end to dishonest bankruptcies. He said it is a shame that the law does not have teeth except for the most flagrant cases. Also, a law to curb dishonest lawyers who coach dishonest bankrupts, was advocated by Mr. Tootle.

"Human nature is one of the old influences which we shall have to consider when talking of new influences," continued Mr. Tootle. "It cannot be forced ahead too rapidly. Now how will our attempt to regiment human nature affect initiative? So much of our initiative has been based on rugged individualism that some say if we curb individualism we shall kill initiative. I do not think so. Where there are high ethical standards, whether self-imposed or accepted perforce, we do not find initiative stifled by lack of great financial reward."

The meeting was reminded by Mr. Tootle that efforts to accord better credit facilities to the small merchant are a major concern of the "New Deal." However, he emphasized the fact that the little man is not going to be protected just because he is a little man. On the contrary, he said, there is no place for him at the head of a business if he has insufficient capital, is inexperienced, or exercises poor judgment. In fact, he declared he personally wished there might be an examining board which would keep some men out of business.

"Perhaps credit and sales managers might form a national bureau for the prevention of the starting of businesses which haven't a chance of success," went on Mr. Tootle. "Certainly you would be carrying out the spirit of the "New Deal." One of the greatest economic wastes is seen in the turnover of small enterprises, and waste is one of the things which is to be taken into account with our changing points of view."

Mistaken identity

She was a big, strong woman, and the burglar she had captured bore unmistakable signs of punishment.

"It was very plucky of you, madam," said the magistrate, "to have set upon the burglar and captured him, but need you have blackened his eyes and knocked out his teeth?"

"Well," said the woman, "how was I to know he was a burglar? I'd been up three hours waiting for my husband. I thought it was him." —*"Kablegram."*

Future reference

Business Man (after interviewing his daughter's suitor)—"I regret I cannot see my way to allow you to marry my daughter at present, but give me your name and address; then, if nothing better turns up in the near future, you may hear from us again."—Passing Show.

Stop!

They were partners and occupied adjoining offices, separated by a thin partition, over the top of which they were able to converse. They also shared a single stenographer.

One morning Moe called over to Jake: "Say, Jake, business is good in Chicago."

"What makes you think so?" called back Jake.

"Our dealer out there just telegraphed in a big order. Listen while Miss Jones reads it to you."

So Miss Jones read: "Please rush 9 dozen No. 18 Stop 3 gross of No. 5 Stop 2 gross of your No. Stop"—

At this point Jake's voice came sharply over the partition. "For heaven's sake, Moe, leave the girl alone and let her read the telegram"—Exchange.

Window dressed statements

(*Continued from page* 7)

Apart from deliberate dishonesty, financial statements continued to be of value until such time as some accountants forgot that they were essentially fact finders and entered the field of the prognosticator. I am convinced that within recent years business men have lost much faith in financial statements submitted by borrowers and others.

An interesting illustration of window dressed statements is found in the case of the X Utility Company. Y organized the company, became its president, and sold to the company stocks amounting to $330,000 which he owned in several small utility companies. For these stocks, and a promise to pay $3,270,000, he received the entire issue of $6,000,000 of common stock and $4,000,000 of preferred stock. All the preferred, and $1,000,000 of the common stock, was then sold to the public for $3,600,000 in order that cash might be paid to the company. Y retained control of the company with $5,000,000 of its common stock. The X Utility Company then had securities valued at $330,000 and cash of $3,270,000 but its outstanding capital was $10,000,000. The books would not balance—more assets were needed—so the securities were set up in the accounts at an arbitrary figure to make the difference, a mere write-up of assets of some $6,000,000!

Some well-known corporations operated on a somewhat different plan. Profits and assets were deliberately understated, and losses and liabilities overstated, in the creation of secret reserves. Small apparent earnings had a reducing effect upon stock market quotations. Stock pools were formed by insiders who bought up the stock offerings of the unsuspecting suckers. When sufficient stock had been acquired in the pool, the secret reserves were suddenly eliminated, properties were reappraised upward, as in an illustration above, stock dividends were declared, and the pool stock accumulations were unloaded at handsome profits to those on the inside. If there were no ulterior motives in the first instance, why was it necessary to create secret reserves? Why should there not be a full disclosure to stockholders and creditors of all significant facts?

It is unnecessary for me to review the misery caused by the stock market debacle in 1929 when the bubble burst. It is curious to note, however, what the effect has been upon the shady, financial statement manipulators of the prosperity era. The optimists of that time have suddenly become (*Continued on page* 36)

The bank of Time

If you had a bank that credited your account each morning with $86,400, but carried over no balances from day to day and allowed you to keep no cash in your account, and every evening cancelled whatever part of the amount you had failed to use during the day—what would you do? Draw out every cent, of course.

Well, you have just such a bank, and its name is Time. Every morning it credits you with 86,400 seconds. Every night it writes off as lost whatever of these you have failed to invest to good purpose. It carries over no balances. It allows no overdrafts. Each day it opens a new account with you. Each night it burns the record of the day.

If you fail to use the day's deposits, the loss is yours. There is no going back. There is no drawing against the morrow. You must live in the present—on today's deposit. Invest it so as to get from it the utmost in health and happiness and success.—*Joys of Life.*

Window dressed statements

(*Cont. from page* 35) most conservative Starting in 1930 and 1931, we were told that price levels had changed again, that it would be a long time before there would be any revival. It was suggested by appraisers, for reasons that I believe are obvious, that plant and equipment should be revalued, this time downward instead of upward, that prior operating losses and capital losses should be eliminated. It was then discovered in many quarters that no surplus was available on the books of the corporation to permit such writing off of assets and losses. Again the fertile minds came into play. They suggested a revision of the capital structure. Let me illustrate how simple it was for them to create a surplus.

A corporation had par value capital stock of a million dollars. An amendment to the charter was filed, changing the stock from par value to no par, and the no par stock was given a stated value of $100,000. The effect on the books of the corporation was a reduction in capital stock from $1,000,000 to $100,000, and there was $900,000 left over for capital surplus. Losses and assets were written off against this $900,000 capital surplus.

Sometimes instead of proceeding as just outlined, the plan adopted would be to reduce the par value of capital stock from a higher amount to a lower amount; for example, a reduction of the par value of stock from $100 to $10 would also result in an increase in capital surplus.

I can find no fault with the corporation that eliminates from its accounts the effect of enthusiastic reappraisals during the prosperity period; neither can I find fault with the elimination from the accounts of obsolete unused plant and machinery. I do object most strenuously, however, to the suggestion that we discard normal rules of valuation in accounting and that we substitute therefor from time to time the indefinite estimates of appraisers and economists respecting valuations and changing price levels.

You credit men and we accountants must do some thinking for ourselves. We must be less gullible and more cautious and not too willing to follow the faddist bellwether. If we want financial statements to convey the truth, we should insist upon a strict adherence to the use of the "going concern basis of valuation" as above defined. We should insist in all cases of deviation from the accepted principle of historical costs, less provisions for accumulated depreciation, including obsolescence, that there be full and impartial disclosure. Let us not lose sight of the fact that the purpose of financial statements is to present information—the more accurate information presented, the better the statements.

E. G. Clerke succeeds J. L. Richey

The officers and directors of the Cincinnati Association of Credit Men, announce a cooperative arrangement with the Service Corporation of the National Association of Credit Men, whereby all of the functions of both the Cincinnati Association of Credit Men and of the National Association will be brought together in one office.

The Credit Interchange and the Collection and Adjustment Bureaus will be under the supervision and control of the National Association, while the various credit and trade groups as well as other local association activities will be carried on as in the past under the direction of the Secretary-Manager of the Cincinnati Association of Credit Men.

Mr. Ernst G. Clerke, who was for many years Comptroller of the Richardson Paper Company, and in the Credit

Department of the H. & S. Pogue Company, has been selected as Secretary-Manager of the Cincinnati Association to succeed Mr. John L. Richey.

Mr. H. W. Voss, who has been the Collection and Adjustment Bureau Manager of the Toledo Association of Credit Men for the past few years, has been selected as General Manager of the Service Corporation. He comes with an excellent record behind him in general association activities with the Evansville Association of Credit Men, and also at Toledo where he handled some very large liquidations, extensions, receiverships and collection matters. His many years of experience have given him excellent training for his duties in Cincinnati.

Mr. S. J. Haider of the Service Corporation will continue as manager of the Credit Interchange Bureau. Mr. John W. Hueber, who has for so many years been associated with the Cincinnati Association of Credit Men in the management of commercial and industrial engineering cases, will continue in that capacity.

On or about March 1, 1934, all of the departments of both the local and national associations will be located in the same office in the Temple Bar Building, which has been the headquarters of the local association for the past few years.

Forums

Cleveland.—The second annual series of weekly credit forums, being conducted by the Cleveland Association of Credit Men at the Statler Hotel, is attracting many more people than did the first series last year. The meetings last year averaged an attendance of about 100 each, whereas the first three meetings this year have brought in 203 people, 150 people, and 180 people in that order.

John Kapp of the law firm of Griswold, Green, Palmer & Kapp, spoke at a recent meeting on "Legal Aspects of Credit." He outlined what seemed to be some of the elementary precautions in extending credit, in accepting mortgages, making conditional sales contracts, in taking insurance to increase credit liability, consignment selling and accepting bonds, but emphasized that too often it is these simple things that bring credit cases into litigation. For example, he said, about one-tenth of all credit losses are due to the failure of the seller to determine the exact identity of the purchaser and his capacity and authority to accept the credit requested.

Mr. Kapp described credit or collectibility insurance as "very much of a delusion" because it usually contains so many exceptions, exclusions, etc., that the particular loss incurred is not covered. Consignment selling with its many pitfalls and economic evils is rapidly falling into disuse, he stated. The expense of periodic check-ups makes it too expensive, he said. He urged that the various methods of bolstering up the credit of a potential customer, such as insurance policies, mortgages, bonds, etc., be referred to an attorney before a deal is consummated. Many credit losses and court litigations could be avoided by this precaution, he said.

Mr. Kapp condemned "hard-boiled" collection tactics. He described them as ineffective and dangerous. He recommended as much courtesy in collecting debts as in dealing with a new customer.

Urban Von Rosen, certified public accountant, discussed "Fraudulent Financial Statements." The time to prevent credit fraud is at its inception, urged Mr. Von Rosen. He recommended that a prepared form should be submitted to the prospective customer which takes into account the peculiarities of his business and current business conditions. In listing bank deposits now, for instance, he pointed out that it should be specified if these funds are in closed banks.

The statement should also include such data as average percentage of gross profits to sales, type of accounting system, if regularly audited, etc. Mr. Von Rosen urged that quarterly or at least semi-annual statements be requested and suggested that the annual statement be prepared as of the end of the "natural" year.

Obituary

It is with regret that we record the death of Edward E. Huber on January 19, 1934, at the age of 78. For 58 years he was associated with the Eberhard Faber Pencil Company, becoming General Manager in 1879 and Secretary and a Director in 1898.

He was Treasurer of the Pencil Makers Association for many years. At one time he was President of the Stationers Board of Trade, a member of the National Association of Stationers and Manufacturers, and an executive of the Rubber Sundries Division of the Rubber Association of America. He was an honorary life member of the National Association of Credit Men.

He was also a member of the Metropolitan Museum of Art. In 1912 he became a director, first Vice-President and Chairman of the Finance Department of the Greenpoint National Bank, Brooklyn. He served as Chairman for the Second, Third and Fourth Victory Liberty Loan Committees for the Stationery trade during the world war.

Notes About Credit Matters

Interest charges on slow accounts

From "Profit" a monthly publication of the C. R. Hadley Co. of Los Angeles, Cal., we reprint this interesting bit about interest charges on slow accounts and how to handle them in accounting.

The question: We charge interest on slow accounts every three months. Some of these accounts are still in Accounts Receivable Ledger and some have been written off to Bad Accounts.

When interest is charged on an active account, it naturally goes into Accounts Receivable; but should not go into sales. We have an account for Interest and Discount Earned, but we cannot enter interest in that account until paid. How do you handle these interest charges?

Answer: First, let us divide the question into two parts; namely, the effect of interest on active account, or accounts still under the control of the General Ledger, and the effect of interest on accounts already charged off to Bad Debts.

In the case of active accounts, it is assumed that the unpaid balance of each past-due account is increased at the close of each three-month period by the amount of the accumulated interest. The total of such interest charges, at the close of each period in which they are made, may be journalized as follows:

Dr.—Accounts Receivable
  Cr.—Uncollected Interest (A liability account)

When an account has been paid including interest charges, the entry on the Record of Cash Received would affect the following:

Dr.—Cash or Bank
  Cr.—Accounts Receivable
(The foregoing entry is for the entire amount collected)
Dr.—Uncollected Interest
  Cr.—Interest Earned
(The interest entry is for the actual amount of interest collected)

It is understood that the cash book entries just mentioned would be posted to the General Ledger in monthly totals and not individually. If a delinquent account were paid and you decided to forego the interest charges for some reason, an adjusting journal entry for the amount of such charges would be required:

Dr.—Uncollected Interest
  Cr.—Accounts Receivable

Moreover, if an account to which delinquent interest charges had been posted were found to be definitely bad and were charged off, care should be taken to clear the proper amount of uncollected interest out of the Uncollected Interest Account at the time of charge-off. This would be done by debiting Uncollected Interest Account and crediting Accounts Receivable for the amount of interest. The charge-off would be for the amount of the account, excluding interest.

Now we come to the question of the account already charged off. There would be little object in making periodical postings of interest to the accounts in the Bad Debt Ledger, because it is hardly likely that most of them will be paid. However, any such interest postings would be purely memorandum, as the bad accounts are no longer under the control of the Accounts Receivable Account in the General Ledger.

If an account charged off to Bad Debts is later collected, the cash book entry would probably affect the following accounts:

Dr.—Cash or Bank (Full amount recovered)
  Cr.—Bad Accounts Recovered
    (This is a miscellaneous income account to which is credited the amount recovered, less interest)
  Cr.—Interest Earned

Anniversary

January 1, 1934 marked the 10th birthday of the formal organization of The Uptown Credit Group, which began as an informal organization early in 1922. Upon affiliation with The Silk Association of America, Inc., in 1924, the Group employed paid personnel and embarked on a course of planned close voluntary cooperation. Repeating the Group's action in 1932, the entire membership (with several non-Group members), subscribed a Second Emergency Fraud Prosecution Fund. Its administration, through the National Association of Credit Men, under direction of the Group's Case Committee, has been a contributing factor to the recent cessation of fraudulent failures in this industry.

Annual turnover of firms analyzed

There are approximately 14 per cent fewer dry goods and department stores in the United States than there were in 1929, and the annual turnover in a mailing list of the firms in business amounts to as high as 40 per cent, according to figures recently published by Buckley, Dement & Company, Chicago.

The lists carried by this firm show that 41,631 dry goods and department stores were doing business at the end of 1929. In 1930, 8,322 are shown to have gone out of business, but 8,362 new firms opened, showing a gain of 40 for the year. There was a loss of 2,083 in 1931; 1,927 in 1932, and 1,987 in 1933 (up to November 1). Thus, though there is a relatively small percentage of net change indicated for each year, it may be seen that there has been a very high percentage of actual changes in concerns.

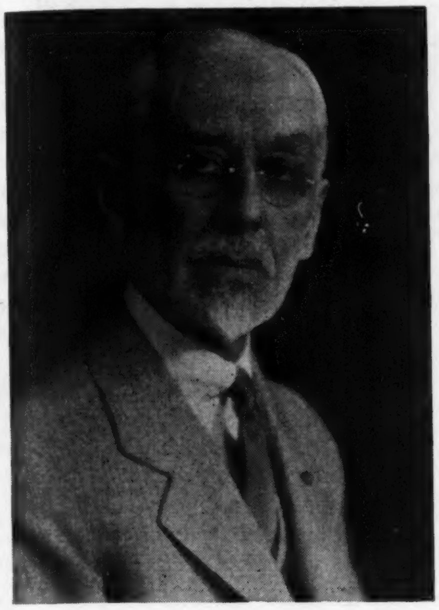
NRA curbs secret rebates

Elimination of secret rebates is the merchandising provision most commonly found in the trade practice regulations of manufacturers codes, followed by prohibition of false marking or branding, and misrepresentation or false and misleading advertising, it is indicated in an analysis of 85 Codes covering goods sold by retail stores, made by Dr. Kenneth Dameron, Deputy Administrator, NRA.

In an effort to determine what effect manufacturers codes would have on retail advertising and merchandising, Dr. Dameron analyzed the trade practice provisions of 85 Codes, 43 of which dealt with consumers goods. Only 52 of these Codes contained provisions regulating trade practices, it was found, 28 leaving the problem to the Code Authority. Of these 52 Codes, the following provisions, in order of frequency, were included:

1.	Secret rebates	44
2.	False marking or branding	36
3.	Misrepresenting or false and misleading advertising	35
4.	Defamation	27
5.	Commercial Bribery	26
6.	Piracy of Trade Mark	22
7.	Giving of Prizes, Premiums or Gifts	19
8.	Consignment of merchandise	13
9.	Piracy of Design	13
10.	Advertising Allowance	8
11.	Combination Sales	2

Credit careers



LEE M. HUTCHINS

The name of Lee M. Hutchins is identified with the constructive and extremely interesting years of the National Association of Credit Men.

Mr. Hutchins was one of the parents of the Grand Rapids Association of Credit Men. He had been active in the business circles of his city, made a reputation among his local friends for initiative and integrity; he recognized the great value of our movement to the commerce of the nation and gave to it the very best that was in him.

His striking personality and sensible aggressiveness quickly won him recognition among the pioneers of the National organization, and at the Baltimore Convention of 1906 he was honored with a position on the National Board.

Mr. Hutchins possessed the power of presenting his ideas to an audience with force and persuasion, he was always welcome at the meetings of local Associations and in his official capacity attended the first State Conference ever called in the Association's history, and it happened to be in Texas. The experiences of that journey and event will long be remembered by the little company who attended this Convention and enjoyed for the first time some Texas pranks.

Until 1912 Mr. Hutchins continued to serve the National Association as a director, but in that year he was elected to the vice-president's office, a position that he filled with his usual distinction.

For many years Mr. Hutchins had held responsible positions in the successful business of the Hazeltine & Perkins Drug Company of Grand Rapids. Among the members of this particular trade he had won a high place and his ideas on business and on credit were always listened to with the deepest respect.

Owing to the death of Dr. Hazeltine the responsibilities of the business devolved almost entirely on Mr. Hutchins and to meet these responsibilities he was forced to relinquish active duties with the National Association of Credit Men. His memories will always be vivid with those who knew him as a companion and as a friend, his name will always be written high in the annals of the N.A.C.M.

Mr. Hutchins is still the pivotal power in his business organization. He holds in an unusual way the affection and the esteem of the Grand Rapids people. It would be a wonderful thing for the National Association of Credit Men had he the physical strength and the leisure to return to its ranks and once again take part in directing its destiny.

Comprehensive survey of national income

A new series of basic estimates of the national income, the most detailed and complete ever compiled, have just been submitted to the U. S. Senate by the Bureau of Foreign and Domestic Commerce after more than a year of intensive research. The study was undertaken in response to a Senate Resolution, and was prepared with the active cooperation of the National Bureau of Economic Research, Inc.

The full report, which presents over two hundred tables giving details of the form of payment and the industrial sources of income for each of the years 1929 to 1932, is in the Senate Finance Committee, and may be printed for distribution as a Senate Document at an early date.

It should be noted in using the figures below that they do not include imputed items, casual or illegal income, and that the 1932 figures are preliminary and all figures subject to slight modification.

The total income distributed to individuals throughout the nation was 81.0 billion dollars in 1929; 75.4 billion in 1930; 63.3 billion in 1931; and 49.0 billion in 1932, a decline of 40 percent from 1929. Income produced in each of these years amounted to 83.0, 70.5, 54.7, and 38.3 billion dollars, respectively, with the decline from 1929 to 1932 amounting to 54 percent. The income distributed by industries in 1929 was less than that produced to the extent of 2.0 billion dollars, this amount being retained by corporate and individual enterprises. In the following years, however, the amount distributed exceeded the amount produced, a draft being made upon previously accumulated surpluses and assets; such withdrawal of income exceeded income produced in 1932 by 10.6 billion dollars.

The study indicates that labor income amounted to about 53 billion dollars in 1929 (more than the total income in 1932), accounting for 65 percent of the total income distributed. Property income and entrepreneurial income in the same year each amounted to slightly over 12 billion dollars, or 15 percent of the total, while net rents made up the remaining 5 percent. The total figures also include the net flow of international income payments.

Wages have suffered the most severely in the general decline since 1929, with a falling off of 60 percent in those industries in which it was possible to segregate this item. Salaries dropped 40 percent, much less rapidly than wages, with the most severe curtailment occurring in 1932. Property income distributed, however, receded but 30 percent. This situation was brought about by the maintenance of interest payments rather uniformly up to 1932, with only a small decline then. Dividend payments were well maintained in 1930, but declined thereafter more rapidly than wages.

Manufacturing was the largest industrial class contributing to income, accounting for 22 percent of the total distributed in 1929. Trade, finance, and services accounted for 14, 12, and 11 percent of the total, respectively.

The decline in income distributed was most severe in the construction industry, the 1933 volume being but 28 percent of the amount paid out in 1929. Income in mining fell off about 60 percent and in manufacturing about 55 percent in the four-year period. In the manufacture group, the construction materials and metals and metal products sections declined most severely, 70 percent and 67 percent, respectively. It will thus be seen that the greatest declines have taken place in the durable goods industries.

The general downward trend was least severe in the field of government (in which expansion of employment and bonded indebtedness slightly raised income payments), electric light and power and gas, communications, and food and food products manufacture.

"Now is the time"

(*Cont. from page 9*) best be designated and prosecuted as a scheme to defraud.

Quite obviously, therefore, the type of person who will be attracted to such a venture is of the real criminal class and entirely unimpeded by the merest decencies in the methods to which he will resort.

The first step in the scheme is to find a business which has been running for some time and which has managed to develop some reputation in the community as a going concern, and of course the price for which it can be bought must be within the reach of the schemers.

Neither stock in trade nor equipment is of great importance. What is really being bought is reputation, and that is the sole consideration. If a business with an established reputation can be purchased, credit will be easy to procure because it is figured the average credit grantor will not find out the change of actual ownership until it is too late, and as a matter of fact that is exactly what frequently happens.

If difficulty is had in "buying reputation" the "boys" do not scruple to simulate reputation. This they do by engaging in business under a name so similar to that of a well established and well rated business that the average creditor grantor will be easily misled. In fact, they might go so far as to adopt a name for the business which is the exact duplicate of a business of good reputation—the only difference being that of the address of the business. Reputation is so important in the scheme that the racketeer, if he cannot buy it will steal it.

But once having gotten a good business name, the foundation of the scheme has been laid, and the building of the superstructure has begun; a financial statement, false in almost every particular is issued; fake references or references addressed to accomplices in the scheme are incorporated in it. Storage rooms are leased and truckmen who cannot be subsequently traced are hired. Merchandise of every description is bought by buyers who are instructed not to haggle about terms (almost invariably these rackets are general jobbing businesses), and when the merchandise is received it is sold for anything it will bring in cash, the purchasers usually being "fences" who feel that it is not their duty to "look a gift horse in the mouth." The whole thing may not take over a month or two, and by the time of the due date the "boys" have gone and only the vaguest description may be procured in an effort to apprehend them, it being part of their policy to remain in the background.

There is comparatively little difficulty in convicting such people, if and when they are caught, but after such convictions it seems strange that the schemers were able to get credit so easily. Courts seem to think that racketeers should not be able to outsmart business men. It is only fair to state, however, that it has not always been due to lack of proper vigilance.

In the light of these facts what ought to be termed the danger signals will perhaps become somewhat apparent. If the business, for instance, has changed from a specialty venture to one of general jobbing, and the price of the merchandise which the alleged jobbers are seeking to purchase is seemingly immaterial, it is best to make a special investigation. That should disclose the change of ownership, and once that has been determined no consideration whatever ought to be given to the reputation and standing of the old business. Check

the financial statement of the new business very carefully, because even the cash item may be false—cash may have been deposited in the bank the day before and drawn out the day after. And above all take a look at the customer's place of business; that, in itself, may be most revealing.

Owing to what may perhaps be termed a commendable anxiety to sell merchandise, the loosening of credit may serve to invite racketeers back into ostensibly legitimate business—bootlegging and kindred activities being at the moment what they are. Under such circumstances this statement, I hope, may be of some timely interest.

Supreme Court decision

(*Cont. from page* 19) from month to month or up to the end of the original term. Compare *In re Ells, supra; Slocum* v. *Soliday, supra; In re Roth & Appel, supra.* Such a covenant is not, as petitioners contend, the equivalent of an agreement that bankruptcy shall be a breach of the lease and the consequent damages to the lessor be measured by the difference between the present value of the remainder of the term and the total rent to fall due in the future. The covenants appearing in the leases in question cannot be made the basis of a proof of debt against the estate.

Collection—sales survey

(*Cont. from page* 25) Dallas has had a slump in collections since last month. El Paso counts Fair on both sides. Fort Worth writes: "While sales in most lines have shown some improvement, collections have dropped off. Reports so far in February show improvement over same period in January.
UTAH: Salt Lake check under Fair for both sales and collections and adds "both getting better."
VIRGINIA: Richmond reports collections and sales Good. Lynchburg shows a slight set back over last month.
WASHINGTON: Bellingham indicates slight improvement in sales. Seattle checks again under Fair. Spokane reports indications of improvements in sales.
WISCONSIN? Fon du Lac reports no change since last month. Green Bay says collections and sales were boosted in January.
WEST VIRGINIA: Clarksburg says retail business not much improved but that wholesale business has gained.

You're next

When the boys of the 90th Division went to France they were in a French barber shop teaching the barber to greet his American customers in their own language, in a polite way. After drilling him over several times, they assured him that he was perfect in his lesson. The boys then stepped outside to hear their student recite his English.

About thirty minutes later the Captain of the Company came in and hung up his cap. The barber, standing by the chair with his towel in one hand, bowed very politely and said to the Captain: "All right, you bone headed cootie chaser, you are next."—Staley Journel.

Opportunist

Plumber (arriving late): "How is it?"

Happy Husband: "Not so bad. While we were waiting for you to arrive, I taught my wife how to swim."
—*Penn. Punch Bowl.*

"I saw in the paper that in some out-of-the-way corners of the world the natives still use fish for money."

"What a sloppy job they must have getting chewing gum from a slot machine."

Answers to credit questions

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Corporations

Q. I note that the new business corporation law of the State of Pennsylvania became effective on July 3rd, 1933. A paragraph thereof reads as follows: Foreign corporations not registered in Pennsylvania prior to July 3rd, 1933, will be obliged to advertise, obtain a certificate of authority and pay a fee of $30.00 before they can do business here.

We would like to know whether or not a corporation doing business in the State of Connecticut with offices in that state and selling to buyers in Pennsylvania, however, passing on all credits, billing, collecting and banking exclusively in Connecticut can be construed as doing business in Pennsylvania and so subject to the fee of $30.00 set forth in the Corporation Law of such state.

A. It is the general rule under the corporation laws of the several states that any company incorporated under the laws of another state and maintaining its offices in the state of incorporation is not doing business within a state by virtue of the fact that it is shipping goods into the state and receiving payment therefor.

Consequently, under the set of facts as set forth in the case, the Connecticut corporation maintaining its offices and taking orders and billing for the same in Connecticut but shipping goods into Pennsylvania would not be considered a company doing business in the State of Pennsylvania. This business constitutes interstate commerce and under the Constitution of the United States is not taxable under the laws of any state, including Pennsylvania. Thus, such a company would not be subject to the $30.00 tax as set forth in the above mentioned law.

Judgment creditors rights

Q. When a judgment in South Carolina has been returned unsatisfied, what further remedy has the judgment creditor?

A. He may examine the creditor in supplementary proceedings, to ascertain whether or not he is the owner of any property subject to execution. Through such proceedings he can reach any property belonging to the judgment debtor whether in his hands, or in the hands of a third party.

Retail sales tax

Q. We have a New York Branch who solicit dealers, carry stock, and ship from New York, but under no circumstances do we sell anything at retail.

The State Tax Department advised us that it is necessary for us to have quite a percentage of affidavits from our dealers to the effect that they are purchasing for resale and they are also requesting that we supply them with a list of at least five hundred of the dealers with whom we do business in the State of New York, who have purchased goods from the first of this year. While I don't find any such interpretation of the law, I don't want to ignore their demands if by any chance they might penalize us for our failure to comply with their demands. In fact, they told me at the tax office that if we did not do this it would be quite possible that the tax examiner would be within his rights in examining our business to impose a total tax on our entire sales within the State of New York.

I would therefore apppreciate any information you might give me as to whether or not we should comply with their demands and what would be involved should we ignore them.

A. The retail sales tax of New York State is Art. 17 of the Tax Law, Sections 390-404 inclusive. Section 391 of the Tax Law provides as follows:

> "The burden of proving that a sale of tangible personal property was not a sale at retail, shall be upon the person who made it, unless such person shall have taken from the purchaser a certificate signed by and bearing the name and address of the purchaser to the effect that the property was purchased for resale. For the purpose of the proper administration of this article, and to prevent evasion of the tax hereby imposed, it shall be presumed that all receipts are subject to the tax until the contrary is established."

The above provision of the statute is undoubtedly that which the State Tax Department relies upon in requiring you to furnish it affidavits from your customers to the effect that the purchases that they make from you are for the purpose of resale.

Section 397 of the Act provides that if a return is not filed, or if when filed is incorrect or insufficient, and the maker fails to file a corrected or sufficient return within twenty days after the same is required by notice from the Tax Commission, the Commission shall determine the amount of tax due from such information as it may be able to obtain, and if necessary, may estimate the tax on the basis of external indices such as number of employees of the person concerned, rentals paid by him, stock on hand and/or other factors.

A tax so determined may be reviewed upon application made within thirty days after notice of the determination, and at such hearing evidence may be offered to support the determination or to prove that it is incorrect. The decision of the Tax Commission at such hearing is subject to review by the courts, if application is made therefor within thirty days after notice of the decision.

Under the circumstances, the only practical course to follow is to comply with the demands of the State Tax Commission. While it is undoubtedly extremely burdensome to do so, the time and expense which would be involved in reviewing an incorrect determination would be even more burdensome.

Bankruptcy

Q. Our company sold merchandise to a partnership for a period of about ten years, during which the partnership paid all invoices promptly, the terms of sale being net cash. Shortly after the last shipment we made, one of the partners in the partnership called on us and informed us that the partnership was having difficulty in collecting the accounts and in order to prevent the accumulation of past due bills payable they decided to return the last shipment which was still intact. We assented and the merchandise was returned. A week later the partnership filed a voluntary petition in bankruptcy and the trustee in bankruptcy has made a demand on us for the merchandise returned, claiming a preference. Are we obligated to return it?

A. In order to establish a preference the trustee must prove four things: (1) That while insolvent (2) the bankrupt within four months of the bankruptcy transferred property or money to creditor (3) which enabled a certain creditor

to obtain a greater percentage than any other creditor of the same class and (4) that the certain creditor had reasonable cause to believe that the bankrupt was insolvent at the time of the transfer. While this is a borderline case, the fourth element of a preference appears to be lacking. Having dealt with the partnership for ten years during which time the organization paid its bills promptly and since the partner who called upon you desired to return the merchandise in order to maintain its credit standing and solvency, it cannot be considered that you had reasonable cause to believe that the partnership was insolvent.

Credit reform

by EDWARD A. BERNDT, Jr.

Wm. A. Hansen Co., Chicago.

"History in the making at our arms' reach!" What does it indicate to the credit man?

Interpreting the march of events one cannot help but visualize a changed credit picture in the mold.

Just as in the days preceding this past period of business, or rather lack of business, it requires but little reflection and no ingenuity to see that those firms with foresight should reap the harvests. Before the storm broke there were a few firms who made strenuous efforts to strengthen their working capital position. Justified or unjustified, they proved to be the ones who were least concerned during the preceding period, because they curtailed credit, collected amounts receivable, and held down inventories that did not have a turnover; in other words, they fortified their own position before the mass action took control.

During the interim since 1928 credit men have had to be cautious and careful; possibly over-cautious as a group, as shown by the noticeable lack of banking and commercial transactions in the face of governmental efforts to expediate an increase in this element of business.

A future credit basis has been made this past year. Credits have been liquidated to one of the lowest levels in the past decade. The business mortality tables show us that the trend of failures has had an unpredicted downward swing. The ramification of the activity in these elements has been the gradual elimination of many of the marginal firms and has required those small retail outlets, who formerly used some credit, to be carried on a cash basis. Gradually some credit will be expanded to this type of business, probably unnoticed by us as individuals.

The NRA and the concern extended to credit in the codes should help standardize the terms and provide a starting point. The terms and discounts in industries are being regulated, and the tendency to restrict "consignment sales" and "returns" will permit legitimate financing with much of the risk and uncertainty eliminated in distribution.

With the extended efforts of the government to increase purchasing power, many of the small enterprises whose costs of production were increased by other measures will be enabled to again favorably compete on a profitable basis. Our employment tables show that a decrease in unemployment has been effected. The figures of the Bureau of Labor Statistics show employment is about 20% higher in the manufacturing industries than a year ago, with payrolls of about 30% above last year's level. This is extra purchasing power in the hands of the masses.

Recently business men were appraised of a definite monetary policy—a factor which unduly influenced future expansions. With its passage by Congress we will be more able to estimate the return on debts. Debtors will be repaying in somewhat more the same dollar in which their debts were contracted and creditors will more definitely know how to determine what they will receive.

Nor has the function of our banks been lost sight of in the efforts of the Administration. On January 1, 1934, a new bank deposit guarantee law went into effect on a six months' temporary basis with an implied promise to be replaced by a similar one of a permanent nature. Reports show that approximately 6000 banks have been approved for membership in this insurance fund. The bulk of the population should be favored with such a movement as the encouragement in banking by individuals, through the governmental elimination of potential loss in savings, and the loss through fluctuations in money itself should help set us on that preliminary base of the curve upward.

The partnership of the banks with Uncle Sam, as the phrase is frequently used, will permit a more liberal policy of the banks toward industry, especially those in the consumptive fields. The "hub" bank of the Midwest was one of the first to sell its preferred stock to the government and since that time the rest are falling in line. Extra capital in the banks, available in the majority for commerical loans, is thus created.

Naturally the individual may present arguments refuting in part the above tendencies, but regardless of such rebate, an increase is "in the making." Historically speaking, every emergment from a depression has resulted in a similar movement. Each time some force was necessary, natural forces being in the majority, but the artificial, so called, have affected the necessary readjustments in society.

The unwise and liberal extension and expansion of credit at this time will be as disastrous as it proved in 1929, but we are far from that point and we must be judicious in all actions. Credit regulations in industries themselves, the services of the Association of Credit Men in furnishing the credit history of firms, and the Interchange reports in showing the experience of others will have to be relied upon more than ever. Cooperation between government and industry, and industry itself, is being achieved step by step. A central office for the clearing of credit information in related industries is necessary to help us individually to keep pace with this evident credit trend.

The dollar: revised edition

(*Cont. from page* 15) one hand and the interests of business and the general public on the other. There is some danger however of the importance of this relationship being over emphasized. The new dollar may be, as we all hope it will be, a factor in business stimulation. Any advantage which that stimulation may have depends upon the use to which it is put. If the impetus given by the stimulant is followed by the pursuance of competent business practices, by a government policy fostering such individual and co-operative efforts in business as are needed to provide opportunity for profitable operation, and by farsighted recognition by business of the necessity for distribution of income in such a way as to maintain buying power, then the new dollar will have been justified. If it does not give this stimulus or if the effect of the stimulus is dissipated by permitting old abuses to again creep into business activity, we might better have retained the old dollar. The whole policy of stabilization upon a dollar devaluation basis will then have been a futile gesture.

Bringing home the button

"My fortune is made."

"How so?"

"I've succeeded in crossing a homing pigeon with a collar button."

—*College Humor.*

Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Fire loss total falls

Annual fire loss figures for the United States for some years past have been quoted roughly at half a billion dollars—a huge sum of money—and a *lot* of money to write off each year in our national economic ledger. For the last two years, however, there has been a substantial decrease, and it is interesting to note the underlying causes of this reduction, and the interlocking decrease in premiums.

There may be some who will jump to the conclusion that much of the decline in fire waste can be attributed to effective fire prevention and protection activities in cities and towns, as indicated by the decline in losses in communities where fire prevention programs have been conducted in the interest of safety. They will also point out that people apparently have become more careful in handling common fire hazards and that many who are under-insured are giving more thought now to avoiding fires because of the financial loss which would fall upon them. But this cannot be substantiated as the main cause of the reduction because it has been more than offset by the neglect of property caused by depression conditions.

The chief reason for the decline in fire losses has been the tremendous write-off in property values forced upon us by the depression. For illustration, take the city of New York. The Department of Taxes and Assessments tells us that in a single year the value of New York property declined *more than a billion dollars*—from $17,759,844,944 to $16,702,961,046. Corresponding, reductions in property values have been taking place year by year throughout the entire country, and no student of the present economic cycle can avoid being impressed with their effect. The decline has been a widely recognized factor in the depression—a contributing cause of much of the hardship suffered, and a blow to mortgage holders as well as to property owners. The decrease has extended to practically every class of property—wherever you go you will find similar conditions. . . . Business stagnation, largely a by-product of lack of confidence in the future, has been another important cause of the reduction in fire losses. It fastened itself upon the nation, and one of its phases was a pronounced slowing up in the turnover of stocks of materials and manufactured products. Industrial and mercantile establishments formerly carrying stocks of merchandise valued at millions of dollars have been getting along in the hundreds of thousands. Everywhere there were smaller stocks of goods and products for a possible fire to destroy.

The decline in property values and the slowing up of commercial activity have been felt with full force in the fire insurance business, because both of these "devaluations" left a lower insurable value. When one considers also that many people were obliged to discontinue their fire insurance entirely, and that numerous others became *under-insured,* the reason for the great decline in premium income, which has been so pronounced in the past year, becomes apparent.

With the total of insurance at risk greatly curtailed, it is natural that a gradual but steady decline in reported fire losses should occur. The complete statistics, just released by the National Board of Fire Underwriters, show that the loss for 1932, as reported by member companies, was $400,859,554, a substantial decrease from 1931, when it amounted to $451,643,866. Preliminary estimates indicate an even greater reduction for the year 1933, but because the losses are shown in reduced valuations, the actual physical destruction of property may have been only slightly less than before.

Accordingly, it has been possible to reduce the dollar fire losses, but while it is one thing to *get* them down, it is quite another matter to *keep* them down. As the depression is defeated and property values rise again, it might be assumed that the dollar losses will ride along in the same proportion, but if we can keep them where they are, or through constant effort reduce them still further, great benefit will accrue to us all.

If the depression can do *that* for us it will have served *one* good purpose at least.

John Hancock reports

At the annual meeting of policyholders of the John Hancock Mutual Life Insurance Company of Boston on February 12, the report of the Directors indicated an increase of assets during the year amounting to $16,208,674, and an increase in the Safety Fund amounting to $1,582,980. The company has a General Surplus and Contingency Reserve amounting to over 59 million dollars, out of total admitted assets amounting to $655,664,366. This Safety Reserve is the amount held by the Company, after providing over 16 million dollars of dividends to be paid to policyholders in 1934.

The report stated that the Directors found it expedient in 1933 to maintain the Company in a liquid position at a temporary sacrifice of interest rates, hence the report showed liquid assets of some 45 million dollars, of which 15 million dollars was cash in hand, $20,406,584 in United States Government Bonds and Notes, and obligations of other governmental bodies in the United States amounting to over 9 million dollars.

"However," said the report, "the pursuit of a more normal program of investment is now being resumed," indicating that times are getting better and the cash demands on insurance companies are normal.

During 1933 the Company paid nearly 100 million dollars to its policyholders, and since organization, 71 years ago, it has paid to policyholders and beneficiaries nearly one billion dollars, the actual figures being $973,029,840.

The official way

Foreign Official: "You cannot stay in this country."

Traveler: "Then I'll leave it."

Foreign Official: "Have you a permit to leave?"

Traveler: "No, sir."

Foreign Official: "Then you cannot leave. I give you just six hours to make up your mind as to what you will do."—Illinois Journal-News.

Indexing overdue accounts

(*Cont. from page* 17) that time, and the consequently less representative nature of the results.

The executive of a company in a neighboring city informs me that he compiles similar ratios for his company, showing changes which have occurred from the preceding month and from the same month of the preceding year, and compares the results with the fluctuations shown by the Buffalo composite ratios. This concern's ratios do not vary greatly on the average from the Buffalo results, but there is little correspondence in the month-to-month changes.

We are well aware of the limitations of our results. It would, of course, be desirable to have more concerns reporting, not only because it would make the data more representative in character, but also because it might enable us to prepare reports by types of industries. We have already made an effort in this direction by segregating and publishing separately the results for seven food concerns in the city. Every one acquainted with credits is well aware also that the terms of credit are different in different industries, and that "overdue" does not mean the same period of time in every line of business. Possibly this is not as serious as might at first be supposed, because whatever may be the customary credit period, every business has adjusted its operations to this state of affairs and "overdue" may have the same economic significance in spite of its temporal variation.

Our list of concerns does not include a number of important lines of business and probably does not include a sufficient number of small concerns. More complete information and perhaps a more sensitive index might be developed if we had separate information on the amount of accounts less than 30 days overdue, 30 to 60 days overdue and more than 60 days overdue, but it is doubtful if credit men are ready as yet to furnish such detailed figures. At any rate we have been unwilling to jeopardize the start which has been made by asking for too much.

All of these short comings are due to a limitation of available funds. It is practically impossible to remedy these and other less important shortcomings in the data without a field agent to visit and interest credit men in supplying the necessary information. This we did at one time, but at present are not able to afford. We hope that more prosperous times may enable us to make improvements, but in the meantime feel that our results serve to illustrate the feasibility of securing current information of practical usefulness in the field of credit. It is hoped that they may lead to more comprehensive information on a larger scale in the future.

Movie complex

Jackson came home after a visit to friends.

"Well," asked his wife, "did you see the Jones' twins?"

"Yes."

"Oh, George," she went on eagerly, "don't you think the boy is the picture of his father?"

"Yes," he said, "I certainly do, and the girl is the talkie of her mother."

Three's a crowd

The bride was very much disconcerted at seeing twin beds in their bridal suite.

"What's the matter, dearest?" asked the attentive bridegroom.

"Why, I certainly thought that we were going to get a room all to ourselves."

—*Exchange*

Thirty-ninth
Annual
Convention
N. A. C. M.
at
Los Angeles, Calif.
June 11th-15th
1934

Details of plans "now in work" indicate the 1934 Convention will be the most important gathering of Credit Men ever held. The program for five days will be crowded with important sessions, group conferences, and unusual educational features which will make this convention a Post-graduate Course for active Credit Executives. Why not start now on your plans to attend this great educational assembly?

The
FOURTH
Credit Congress
of Industry
will be one of the outstanding features

THE CUNEO PRESS, INC.